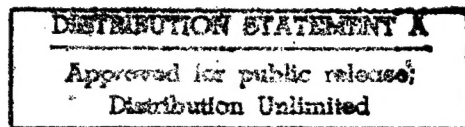


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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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26 July 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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BULGARIA

PROJECTED EXPANSION OF INTERNATIONAL MOTOR TRANSPORTATION

Sofia TRANSPORTEN GLAS in Bulgarian 20 Jun 84 pp 2, 3

[Article by Rita Gencheva, special representative: "Bulgarians of Modern Times"; some foreign papers refer to MAT--Muzhdunaroden Avtomobilen Transport (International Motor Transportation) as TIR--Transport International Routier (International Highway Transportation); passages enclosed in slantlines printed in boldface]

[Text] We are like emigrants. We leave the places that are close to us, driven by the winds of fortune, leaving behind there everything that is dear and precious to us. Actually, we carry them always in our hearts. Later on we steal looks at them during some business trip. We drink them in with an insatiable glance. . . And every time we rediscover them they are changed, restructured, have lost their old enchantment but have added something new. That is how Vidin looked to us now after several years of absence, preoccupied with its present life, accustomed to its present-day appearance.

Where Should we Look for Changes?

Lest we "beat against the shore like roily water," as the sailors say, we went with this question to our meeting with Zdravko Purvulov, deputy chairman of the Executive Committee of the Vidin ONS [Okrug People's Committee] and head of the operations office for the celebration of Transport Workers' Day.

"The changes," he told us, "are everywhere. . . True, the river determines the livelihood of the people here, just as before. Just as before, it is their traditional reference point in space and time. But what is most frightening for the people, as well as for a river, is stagnation. Unless the swamp is drained, it becomes infested with leaches. But what I am talking about is the people of Vidin. They are farmers who love farming. And being self-respecting people, they have proved themselves as reformers in other fields as well. They have erected supermodern plants, constructed convenient roads, created modern agriculture and developed an intensive transportation system. Let us hope that in the interest of the development of Vidin Okrug's livelihood we have not by our intervention anywhere impaired its natural beauty, in whose territory are to be found three of Bulgaria's 10 pearls: 'Baba Vida,' Magura cave and the Belogradchik cliffs. Let us hope that in the future the pace of intensive construction will take into account the laws regarding the preservation of

natural resources. And first and foremost the Danube--the Bulgarian's age-old and eternal ally. The symbol of his love of freedom. The wellspring of wealth, beauty and inspiration."

With the Holiday-Makers

We already had our plan. We would begin with the RO-RO [roll-on/roll-off] terminal, one of the three projects scheduled to be opened on Transport Workers' Day. On such a strenuous day before a holiday we could hardly expect to be welcomed with bread and salt. Director Kiril Petkov of the operational MAT [International Motor Transportation] SO [Economic Trust], newly under construction in Vidin, greeted us in a businesslike manner. Questions awaiting decision were hanging over his head. Apparently "trifling" matters involving finishing up the administration building and the acceptance of 350 rigs had to be settled. And yet when we asked him to tell us something more in detail about the RO-RO terminal, he did not refuse us but satisfied our journalistic curiosity with the following data.

/The MAT SO newly under construction will play the role of a "logistical base" for the terminal that will include the ships "Khan Asparukh," "Khan Tervel," "Khan Krum" and "Khan Kardam." This will create conditions for central management and operational control of the Vidin-Linz-Passau. In this way the technical and economic indicators will be improved, the final operational results will be increased, and high-efficiency servicing and technical maintenance of the vehicle fleet will be assured, as well as operational control of transportation via the Danube line from Western Europe to the Near East. The idea is for 330 truck tractors and 450 trailers to be based at the enterprise now in the first stage, and 500 truck tractors and 800 trailers in the second. The economic advantage of the terminal operation is already well known. One trip alone made by a catamaran-ship carrying 49 trailers in both directions produces an economic effect of 53,000 foreign-exchange leva. In the 30 trips it makes in a year 1,730,000 foreign-exchange leva will be earned./

. . . On the road that wound among young orchards and vineyards and thousands of bushes, we caught sight of the river, quiet and tranquil but by no means white. In the car the deputy director of the enterprise Petur Angelov explained to us that the council has devised a lot of measures for safeguarding and reproducing the natural environment along with concrete ways and means and near-term deadlines for biological protection. In the water's perpetual skirmish with the land, man tries to defend the river-bank. . . However, we are not talking about it, but about the terminal. Lying comfortably with her stern in a nest of wharves, the catamaran "Khan Tervel" was ready to sail. While Captain Ivan Bratanov was taking over the watch from Captain Nikola Stanchev (both of them "sea wolves" who by now had plied the Danube for a quarter of a century), we climbed to the highest spot on the ship--the bridge. Present here was Third Mate Krasimir Ivanov. Between his terse words and complicated terms we learned that the equipment of "the machine" was the last word in technology; neither hard rains nor 120- to 140-km-per-hour winds could put her out of commission. But we also gathered something else--for Krasimir and for Captain Bratanov's entire crew this day will be truly a man's day. . .

When Facts Are Beyond Dispute

The Vidin OPU [expansion unknown; possibly Okruzhno Putno Upravlenie, Okrug Road Administration] director Mando Pavlov smoked a great deal and looked like a good-natured person. A road-builder, from whom the construction of roads has taken everything and from whom it will probably take more. He was surrounded by the director of the ISS [expansion unknown; elements IS may be Inzhenerno Stroitelstvo, construction engineering] SD [expansion unknown; possibly Stopanska Direktsiya, Economic Directorate] Yordan Monov, the director of the Motor Vehicle Combine Vladimir Pazderski, and the chief of the construction projects group of Moststroy [Bridge Construction]--Sofia, Mitko Velkov. The (operativkanta) [operation] had to begin at once--the end of the railroad overpass was right here. "Was the (tsarskata korona) [literally, royal crown] difficult?" we asked. "Yes, of course, but it became easier as we reached the (markirovka) [literally, marking]," Monov replied.

/The length of the installation is 665 m and the width is 23 m with two 7.5-m-wide roadbeds, each with two traffic lanes. With the rationalization that was introduced during the construction of the overpass, the bridge was built with three spans rather than four. The 27-m girders were produced by the Freyssinet system, which was employed for the first time in our country. The overpass, which will be opened on 22 June together with the new OPU administration building in honor of the occupational holiday, will shorten the distance from the center to the southern industrial zone by 2 km./

Everybody Fighting for His Reputation

We found the chief of the bus station Mito Vulchev beset on all sides by worries. Here are some of them: there were not enough buses; there were not enough drivers either. There were 40 vacant positions, and 29 people had submitted requests to resign. The repair facility was not up to standard. A new one is going to be built. So at least the director of the Motor Vehicle Combine Vladimir Pazderski told us that the building of a centralized service center, which is supposed to start next year, will solve this question. For the present, things indeed do not look rosy. But does this mean that the people who have taken up the occupation of driver have no self-esteem? Every day they make 547 trips on the extraurban lines, 1988 on the intraurban lines, and carry an average of over 2 million passengers a month, don't they? People speak with respect of such master drivers as Milcho Spasov and Veninslav Mitrov, as well as of Iliya Asenov and others besides, don't they? The magic, then, does not lie somewhere else, but is a question of expertise, of liking one's occupation, of liking people. That is what Vulchev told us, a person completely dedicated and ardent about his job.

Quality With a Capital Q

On this question the chief of the SETRD [expansion unknown] Krum Vasilev has his own view. Everything depends on the person in charge. The good supervisor is like a chess player who sees several moves ahead. But everything depends, of course, not only on the organization, but also on the discipline of personnel, their responsibility for their job. Whether the section collective

has done its job well or not can be seen from the final result of the transportation process. There is also another factor in operations--the complete meeting of shortages of railroad cars for all types of freight. The collective has solved this question completely. In corroboration, Krum Vasilev cited several examples. Four years ago 10,647 railroad cars were not delivered by SETRD or put into service by clients. If these are multiplied by static load, one can get an idea of the quantity of output that was not transported. But during the first quarter of 1984 already the results are different: the section has not delivered 53 railroad cars and 114 have not been put into service. So the organization has been up to standard.

When a journalist was told some years back that since 1976 no fatal or nonfatal accident had been recorded in the section's log, he was a little doubtful.

"That can't be!" he exclaimed. "Yes, it can," was Vasilev's reply to him.

"Our philosophy is simple--we know how to work not for the sake of what we earn, but for the sake of the work itself. We know how to live, too--for the sake of life itself."

On returning from Vidin, during the tiring journey by the night train we remembered the description of this region by the English traveler Campbell. Distressed by the backwardness and loneliness all around, he wrote, how "wild this place is, how unknown this bank is, untouched by either plow or human foot, where rarely the villager can find his way. . ." Could the Englishman but come to Vidin now and see everything that we saw, he would surely write enthusiastic lines.

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GERMAN DEMOCRATIC REPUBLIC

COST EFFECTIVENESS IN CONSUMER GOODS PRODUCTION DEMANDED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German No 6, Jun 84 pp 873-882

[Article by R. Gericke: "Experiences and Tasks in the Continued Development and Production of Consumer Goods"]

[Text] In February 1984, the 34th Conference of the Scientific Advisory Council for Economic Problems of Scientific-Technological Progress took place at the Central Institute for Socialist Economic Management at the SED Central Committee. The conference was chaired by Professor Nick, deputy chairman of the Council, and attended by 45 representatives of economic and natural science research, the state apparatus, combines, technical universities and colleges.

It was the objective of the conference carefully to evaluate the many experiences and tasks involved in the further development and production of industrial consumer goods and generalize them consonant with the greater challenges of the Seventh SED Central Committee Plenum. On behalf of the council management, Dr Leger, research office at the Ministry for Science and Technology, presented the introductory lecture. The concluding address was delivered by Professor Koziolk, chairman of the Scientific Council for Economic Studies at the GDR Academy of Sciences.

Participants in the discussion were Professor Bernheier, Central Institute for Socialist Economic Management at the SED Central Committee, Professors Dippe and Hartmann, Karl Marx Party College at the SED Central Committee, Holbein, Berlin Star Radio VEB, Professor Jordan, Robotron Combine VEB, Dr Koch, Institute for Market Research, Dr Koehler, Ministry for Chemical Industry, Professor Marschall, GDR Academy of Sciences, Dr Merbach, Standardization, Measurement and Commodity Testing Office, Dr Ostermann, Frankfurt/Oder SED kreis leadership, Professor Thiessen, GDR Academy of Sciences. Thiem, Wilhelm Pieck Mansfeld Combine VEB, Schneider, Black Pump Gas Combine VEB, Steuer, Air and Refrigeration Equipment Combine VEB, Weissling, Academy for Social Sciences at the SED Central Committee and Professor Zscherpe, Mittweida Engineering College.

In the further pursuit of the discussions carried on at the social science and economics conferences, the conference focused on the following problems (among others):

- The greater contribution of the combines primarily manufacturing capital equipment to consumer goods production as the political order of the working class.

- The exchange of experiences with regard to the tested approaches to the realization of a large proportion of goods production of finished products for the public.
- The improvement in the efficiency of the research and development potential available and to be expanded depending on the differentiated conditions in the combines for the new and further development of high-quality consumer goods in order by means of greater refinement better to utilize domestic raw materials and lower energy consumption.
- The national requirements for the improvement of the efficiency of consumer goods production, in particular for exports.
- The approaches to the more effective cooperation between consumer goods producers and the trade.

When opening the conference, Nick pointed out the importance at precisely this point in time of the topic to be dealt with for the further pursuit of the economic and social policy. He reminded the audience of the assignment issued by the economic conference to provide above all a greater contribution of economic research to the evaluation of the experiences of good combines and to their generalization. Nick indicated the need to take into account the following suggestions made by Guenter Mittag at the economics conference:

- "More and more combines are on the way to specialize not just single departments but entire plants in the production of consumer goods. Their modern technical equipment and rational production make it possible to provide a sounder material-technical basis for the manufacture of consumer goods."
- "The development and rational production of high-quality technical consumer goods compellingly calls for the improvement of the standard and speed of creative scientific-technological work in the combines and for the concentrated employment of the necessary university and technical school graduates."
- "In many combines a significant proportion of the manpower freed by advancing rationalization at a high technological standard, is recruited for the strengthening of the capacities of consumer goods production." ("Oekonomische Strategie der Partei - Klares Konzept fuer Weiteres Wachstum" [The Party's Economic Strategy - A Clear Concept for Continued Growth], Dietz Verlag, Berlin 1983, pp 64ff).

Linking up with these statements, Leger's introductory lecture cited experiences how the contribution of consumer goods production may be decisively raised and the efficiency of the performance principle consequently better safeguarded:

1. It is imperative substantially to increase consumer goods output--especially the production of industrial consumer goods. The decisions taken in this context are of a strategic nature and have far reaching consequences. Basically consumer goods production must be assigned a ranking increasingly

consonant with the role of consumption in the conditions of the organization of the developed socialist society. We have to reflect further on the function of consumption in the reproduction process, based on the fact that--to cite Marx--"consumption ideally sets the object of production, as an internal image, as a need, as drive and purpose" (K. Marx/F. Engels, Collected Works, Dietz Verlag, Berlin 1956-1968, Vol 13, p 623).

The increase in consumer goods production involves an important element in socialist life and, at the same time, the active repercussions of consumption on the entire system of social motive forces.

2. All tasks for raising the output of consumer goods must be resolutely incorporated in the circulation of the intensively expanded reproduction of the combines. Various approaches have shown themselves useful in practice:

- A first approach consists in the development and production of consumer goods, the manufacturing technology of which is related to the main production. We have many experiences of this approach. In the First Karl Marx Stadt Machine Factory VEB, for example, the technical, technological and organizational conditions for the construction of industrial centrifuges were the decisive criterion for beginning the production of domestic tumbler dryers as far back as the 1950's. At the present time 10 percent of this factory's production workers turn out about 20 percent of the goods production as consumer goods, both for the domestic supply and for exports.
- A second approach consists in processing into end products for various groups of needs in the combine itself the results of the main production, which by their nature are components for other industries. The Electric Machine Combine, for instance, proceeded within the scope of its production program and on the basis of various types of electric motors to build up consumer goods lines for the production of mechanical food preparation (Multiboy [trademark], mixers, and so on), bath and laundry products, gardening and settlement appliances and stationary motors for do-it-yourselfers.
- A third approach to consumer goods production is based on byproducts and production wastes constantly occurring in main and ancillary processes and until now either not used at all or only in part. The chemical industry offers many examples, and so does metallurgy, the energy and fuel industries. By the unity of means of production and consumer goods manufacture, the technologies used here guarantee the greatest possible exploitation of the raw materials and other materials.

Altogether the combines manufacturing capital equipment offer many examples of consumer goods production, which are suitable for generalization. Their numbers are on the rise, but the results achieved do not yet have a sufficiently wide impact. Here also it is true to say that the successes achieved do not represent all that is achievable.

3. It will be necessary substantially to improve the efficacy of the existing research and development potential for the new and further development

of industrial consumer goods. Long-range product profiles of consumer goods require efficient solutions involving the concentrated use of research and development potentials, whether already available or to be expanded in response to the various circumstances of the combine. It has been found useful gradually to establish collectives for consumer goods development from the available manpower potential of research and development and to deploy it purposefully for the evolution of new consumer goods. It must be made crystal clear to all concerned that the designation "top performance" is due only such products as hold up when judged by the incorruptible criteria of the world market and respond to the demands of intensification. That is why the available research and development potentials must be more resolutely concentrated on specific consumer goods and oriented to genuine top performances. An outstanding example is the development of the S 3000 hi-fi device. Investigations underline Guenter Mittag's statement at the conference of economists that, generally, not enough of the research and development potential in the combines producing capital goods is working on consumer goods.

The standard and efficiency of high-quality technical consumer goods are increasingly decided by the utilization of knowledge derived from anterior research. This trend is particularly evident in the development of electronic consumer goods. In the field of entertainment electronics especially, the development and use of new technologies on the basis of microelectronics has already caused a significant change in the products. While the functional qualities of these devices improved, dimensions were significantly reduced, materials and energy conserved with respect to important national headings and manufacturing costs reduced at the same time.

Combines often ask about the emergence of new ideas for original consumer goods. As we know, new ideas presume thinkers who have the necessary experience, technical knowledge of what is available and what is in demand, scientific foresight, creative qualities and more. It will be necessary more energetically to mobilize and use all creative forces in the combines. On the other hand we may not disregard the fact that large reserves remain to be developed in many combines, especially in the field of patent yields and the economic effects of inventor activism. New products of consumer goods development arise in the combines by the initiative of researchers, developers, innovators and rationalizers. They are encouraged by a creative climate in the collectives. Needed is a quick response to emerging consumer wishes, more enthusiasm for originality and, moreover, an eye for detail with respect to new consumer goods. In this meaning, design is due far greater attention. After all, we note repeatedly that modern design, meeting advanced esthetic demands, guides the technical-economic parameters of the various consumer goods to a significantly greater supply and export efficacy.

Continuing the exchange of opinion carried on at the social and economic science conference, the discussion focused on the following problems:

1. The vital problems of the further development and production of industrial consumer goods can be settled only from the aspect of a thorough improvement in the economic efficacy of science and technology. Many speakers stressed

the necessity for science and technology generally to be assigned far greater importance for the entire range of consumer goods. That is the main approach for meeting the demands of the Seventh Central Committee Plenum by way of the greater refinement of consumer goods. The conceptions on consumer goods production must therefore be fully included in the processing conceptions of the combines, and their incorporation and management must thereby guarantee the uniform reproduction process. Experiences were reported of combines such as the Wilhelm Pieck Mansfeld Combine VEB, the Air and Refrigeration Equipment Combine VEB and the Black Pump Gas Combine VEB, all of which are organizing this process from research and development through marketing and include consumer goods production--balance and plan effective--in their entire management and planning operations.

2. The speakers cited many experiences to show how the combines might even better use their considerable scientific-technological potentials, their wealth of ideas in order more purposefully to develop consumer goods in demand at home and for exports also.

In the chemical industry, for example some combines set up full-range consumer goods lines (from raw materials to the finished consumer product). In the foreground was the utilization of the basic and intermediate chemicals produced in the combine on the basis of domestic raw materials and the resolute deployment of efficient research and development potentials and in-enterprise rationalization aid construction. The following product lines may be cited:

- Walter Ulbricht Leuna Works VEB: Dishwashing detergents,
- Schwedt Petrochemical Combine VEB: Car and shoe polishes
- Piesteritz Agrochemical VEB: Fertilizers for small gardeners.

These consumer goods lines are reinforced by stable internal industry cooperation relations. The Ministry provided active support. Representatives of combines in other industries, such as the Robotron Combine VEB, the Microelectronics Combine VEB and the Berlin Star Radio VEB, also pointed out the necessity for even more emphatically developing consumer goods production on the basis of the respective combine's main production.

3. The discussion underlined the Seventh SED Central Committee Plenum's statement on the need significantly to raise the contribution to consumer goods production of the combines manufacturing capital equipment. The representatives of the Air and Refrigeration Equipment and Robotron combines, the Mansfeld Combine and the Black Pump Gas Combine described experiences suitable for generalization. It has been found useful in these combines to set up specialized factories for main product lines, such as the drilling machine in the Mansfeld Combine. These specialized factories have all the necessary prerequisites for successful operation, from research and development through production to sales. These combines have also profited from making available important component supplies from combine enterprises and employing some capacities of the construction of rationalization aids

for consumer goods manufacture. In the Agrochemical Combine VEB, for example, the construction of rationalization aids also equipped a plant for the processing of recovered plastics waste and the manufacture of plastic tubing from regranulates, serving the attractive packaging of the fertilizers and herbicides/insecticides produced for small gardeners by the combine.

4. It was also emphasized that the established combines offer a sound basis for assigning an even greater economic weight to consumer goods production. It emerged from the discussion that it is possible, by exploiting all reserves, to exceed the party's target of consumer goods production achieving a 5 percent share in combine industrial goods output. This is evidenced by the combines Teltow Electronic Components, Air and Refrigeration Equipment, Schmalkalden Tools and Robotron, among others. Also cited in the discussion were approaches and procedures of well-known capitalist corporations in the development of consumer goods production. Obviously capitalist corporations use consumer goods production for a dual purpose: For one to achieve a better economic utilization of the costs of research and development, for the other to earn extra profits and the capital needed for the rapid use and distribution of key technologies in structure-determining industries, such as the use of microelectronics in the metal processing industry. Also important was the reminder that the corporations increasingly use wastes for their consumer goods manufacture, and that these materials fully meet the quality requirements of the consumer goods.

In this context it is necessary to review Soviet experiences and reflections with regard to the coupling of the volume of consumer goods production to the enterprise wage fund (R1 wage fund corresponds to R1 consumer goods production). The Soviet comrades use this approach to take into account the different reproduction conditions with respect to the extremely differentiated production consumption. At the same time, this orientation is designed to imply the politico-moral obligation for the members of the enterprise ultimately not just to confront the domestic market as buyers--in proportion to their wage fund--but manufacture consumer goods themselves in the same volume.

5. Several speakers, among them the representative of the Office for Prices, pointed out the necessity for devoting far greater attention to the economic efficiency of consumer goods production. It is imperative, above all, to achieve larger numbers and to resolutely lower costs. To that end the combines manufacturing capital goods must draft appropriate costing for consumer goods.

The production of large numbers requires the establishment of specialized factories for main product lines. They alone facilitate the use of modern equipment, including industrial robots, at the same time allowing for cheap manufacture. The Robotron VEB explained the need for concentration on special production plants, coupled with the introduction of the most modern processes for mass production. It was claimed that prices of new and further developed consumer goods outside basic needs must meet costs and provide profits. The same applies to means of production suitable for use as consumer goods, if their functional features are useful for individual consumption (examples are hand tools, woodworking lathes and welding transformers).

6. The economic secretary of the SED Frankfurt/Oder Kreis management recounted valuable experiences with regard to the political direction of the further

development of consumer goods production. In its scope, the kreis management resolutely influences the setting of differentiated targets for the development and production of industrial consumer goods. The Schwedt initiative managed to free more than 60 workers for the reinforcement of consumer goods output in key plants.

7. The rector of the Mittweida Engineering College reported good experiences. He demonstrated how the scientific work of the students and young scientists and direct cooperation between the rationalization aid construction of the combines and his college effectively assisted consumer goods production in the following particulars:

- Together with the Institute for Regulation Equipment, the development of a flexible industrial robot control for direct teach-in movement for technological robots, to be used for the paint spraying robot of the Zwickau automobile works (currently being tested in the industry);
- The development of an automatic testing system for cassette recorder drives to guarantee the quality of the production process.

In his concluding address, Kozioliek dealt with six issues that had been repeatedly raised in the discussion and need greater attention by economic research:

1. Based on the resolutions adopted by the Seventh Central Committee Plenum, consumer goods production must be understood and handled as primarily a political task. Consumer goods production must be assigned a rank consonant with the role of consumption in the conditions of the organization of the developed socialist society. The consistent realization of the main task for the welfare of the people increasingly couples production and individual consumption. Here also we follow Marx' notions: "Consumption provides the motive force of production; it also creates the object acting to define the purpose of production...No production without demand. But consumption produces demand...(It delivers) the material, the object to consumption...It also gives consumption its distinctness, its nature, its finish." (K. Marx/F. Engels, Collected Works, as before, Vol 13, p 623).

Consumer goods production provides these connections, because it serves the satisfaction of needs, that objective of socialist production. Intermingled in it, in particular, are economic substance and sociopolitical effect.

Relations between production and consumption change upon the transition to a labor and resource conserving type of reproduction. The qualitative development of interrelations increasingly replaces the hitherto dominating quantitative development. The new qualitative relations are characterized by the wide ranging application of science and technology in production generally, including consumer goods production and individual consumption.

Positive effects on consumption arise from the comprehensive intensification of production by new products, technologies and processes; by new needs, consumption in turn opens up new opportunities for the intensification

of production. Materials and energy conservation in consumption, for example, necessitated the development and production of electric household appliances with a considerably smaller electric energy consumption. This is particularly well suited to demonstrate the extensive role of science and technology in the reproduction process. Arising therefrom are new challenges to economic research--the responsibility of the Council. Involved are, for example, studies on consumption and consumer goods production in the reproduction process and the tasks for science and technology to be deduced therefrom. The tasks involved in the rapid and constant renewal of production are specially related to the necessary increase in consumer goods output. The production of unsalable and unprofitable consumer goods must be discontinued, and the capacities used to increase the output of consumer goods in demand.

2. Speakers repeatedly pointed out in the course of the discussion, that the SED's economic strategy for the 1980's represents the decisive basis for the all-round development of consumer goods production. In this context the following needs to be noted: On the one hand the tasks of consumer goods production are dealt with as a particular key issue of the strategy. That is one aspect. At the same time the economic strategy makes it clear that consumer goods production is closely linked with all key issues of the compact conception. Consumer goods production must therefore increasingly contribute to the improvement in the efficiency of labor and the achievement of dynamic economic growth. It is an important support of economic growth and, for that reason, itself of strategic importance for continued intensively expanded reproduction. In this context refinement represents an extremely topical question.

Also mentioned was the fact that consumer goods are among the most highly refined products. Of course consumer goods are not highly refined from the outset; indeed these genuine opportunities must be recognized and implemented in management and planning. Science and technology must help the future even greater success in precisely defining the greatest possible refinement effects as objectives, so that they may be implemented resolutely at all stages of the refinement process. It must be our aim to offer far more top products, distinguished by good quality and design, great functional reliability, the lowest possible energy use and long life, made from domestic and available raw materials, other materials and secondary raw materials. All combines must review their refinement strategy and set out concrete measures for its realization. Of special importance here is the work with refinement conceptions. These conceptions must provide a concrete demonstration of the size of the contribution to the increase in consumer goods production and the better utilization of the domestic raw material base.

3. It was emphasized in the discussion, that the economy and, of course consumer goods production too, are not carried on per se but for the welfare of the people. At stake always is the supply of the public and the (profitable) export trade with more and better consumer goods.

The effects arising from individual consumption are closely linked with the performance principle. At the Seventh SED Central Committee Plenum,

Erich Honecker pointed out that new efforts are needed to more abundantly organize the assortment of industrial consumer goods and more effectively to enforce the performance principle in conjunction with the improvement of the lives of the working people. In concrete terms it is necessary to secure the social achievements recorded and take further steps toward the improvement of the material and cultural standard of living in conjunction with the socialist lifestyle. This gives an incentive to better performances and helps secure future economic growth.

4. It was correctly indicated in the course of the discussion, that the established combines--increasingly well meeting their national responsibilities--offer a sound basis for bestowing a much greater weight on consumer goods production. The combines make it possible to initiate all the steps required to develop consumer goods production. In connection with this there are new ideas on the further organization of the division of labor at the national level. The resolution adopted by the SED Central Committee and the GDR Council of Ministers on the further perfection of management, planning and economic accounting offers both the opportunity and the yardstick for combines to be able even more purposefully to orient their work on the implementation of the economic strategy. That also applies to the reinforcement of democratic centralism in the management and planning of consumer goods production in the meaning of an even higher quality of central management and planning coupled with the growing own responsibility of combines and enterprises. The consistent implementation of the resolution and the central regulations issued by now must also result in sensible advances in consumer goods production.

The advantages and far-reaching potential of the combines for more closely linking science and production, must be fully utilized in consumer goods production, too. Needed is the speedier development of the combines' capacities for ever more effectively to couple science and production in order to manage at a high scientific-technological level and with growing economic efficiency and observance of the time factor the renewal processes in consumer goods production, which it is imperative to multiply. These challenging criteria apply to all combines, because all of them are involved with consumer goods.

5. Great challenges arise to the combines traditionally manufacturing consumer goods to achieve noticeable performance and efficiency increases. They make by far the greatest contribution to the supply of consumer goods to the public and the export trade. These combines boast the widest experiences in consumer goods production, and these are very valuable and must be extensively used in the national economy. They are the pacemakers of consumer goods production. Our attention must be directed with even greater resolution and faster to enforce the urgently needed revaluation of science and technology for the product and equipment development of consumer goods.

It is altogether necessary to see to it that more qualified cadres are employed in the research centers of combines manufacturing consumer goods and help contribute to the faster improvement of the scientific-technological standard. The needs of the various branches of the consumer goods industry should receive greater attention during college education and methods generalized such as used by the Mittweida Engineering College. Other important approaches ~~to the more effective utilization of science and technology consist in~~ further expanding cooperation relations with research facilities outside

the combine as well as to much more use basic and applied research. A greater capacity of the scientific-technological potential must result in better yields by anterior research, while more new and useful product ideas are systematically produced.

6. The conference focused in particular on the production of consumer goods in combines manufacturing capital goods. Most speakers talked about that topic. All of them described interesting experiences that are valuable for research and surely also for the practical work of the representatives of combines and enterprises in attendance. More good experiences, suitable for generalization, are needed because the progress made is still not adequate, especially with regard to its range.

The SED calls for the achievement by 1985 of a 5 percent share for consumer goods production in combine industrial goods output; this involves large dimensions to be developed. The general and enterprise directors are called upon for a definite ideological attitude to consumer goods production. They must see to it that the struggle is conducted and directed by the party organization. Equally involved must be the senior cadres in the research and development facilities who have to feel themselves even more responsible. The development of consumer goods production cannot simply be left to an employee appointed to take care of it. When that happens, consumer goods production is condemned to remain an "appendix" or necessary evil.

The experiences of well working combines show that the speed and standard of task accomplishment depends on basic attitudes. It has proven useful if, right from the start, a strategic concept is drafted on the incorporation of consumer goods production in the production profile of the combine on the basis of the refinement conception. The entire combine management must collaborate in this basic issue. All sectors and all factories of the combine must make their contribution.

Finally it needs to be pointed out that the permanent and stable incorporation of consumer goods production in the profile of the combines manufacturing capital goods reflects the planned further pursuit of the socialization of production and labor. This socialization process must create new scope for the development of productive forces. This must proceed by way of the gradual construction of relatively compact reproduction circles for consumer goods. Specialized factories will develop for the main product lines, having all the crucial preconditions for successful work, from research and development via production to sales. In such conditions we will best be able to manage the specific requirements of consumer goods production. It has also been found useful for some of the important components for consumer goods production to be made available by combine enterprises. By the same token a specified capacity of the construction of rationalization aids should be used for consumer goods manufacture. All this implies many tasks for economic research. We need efficient solutions of importance especially for future developments. The growing efforts of the combines manufacturing capital goods must receive even more backing from the competent ministries. Also desirable is closer cooperation among various ministries, such as the ministries of the metal processing industries. Furthermore,

an efficient and demand-appropriate consumer goods production requires the organs of domestic and foreign trade to more actively collaborate in the development of new consumer goods assortments, in particular. Central coordination of consumer goods production is increasingly imperative.

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PERFORMANCE OF BEZIRK-MANAGED COMBINES ANALYZED

East Berlin PRESSE-INFORMATIONEN in German No 62, 29 May 84 pp 5, 6

[Unsigned article: "Bezirk-Managed Combines with Impressive Performance Increase"]

[Text] The 206,000 working people in the 93 bezirk-managed combines, which consist primarily of small and middle-sized enterprises, and in the 100 enterprises which are under the direct control of the bezirk economic councils produce over 5 percent of our country's industrial production. Their share in the production of finished products amounts to more than 16 percent. Thus, they make an important contribution toward guaranteeing a stable offering of high-quality consumer goods and the 1,000 little things necessary for everyday life. The bezirk-managed combines and enterprises are, however, at the same time important suppliers for almost all branches of our economy and are an important exporter.

Bezirk-managed foodstuff combines came into being in the 1960's; among them are 12 bakery goods combines and 15 beverage combines. In line with the experiences of the centrally-managed combines in 1981, 66 combines were formed which include 14 combines in the sawn timber and wooden articles industries and 52 industrial combines.

The Eighth Meeting of the SED Central Committee stressed the fact that bezirk-managed industry also made an important contribution to increasing production, work productivity and efficiency. The effects of establishing combines, such as the training of management and planning, concentration and specialization of production, has an impact, for example, on growing consumer goods production. In the sector of these 66 combines it rose in 1983 to 142 percent compared with 1980. Linked with this is the greater share of consumer goods in industrial goods production, rising from 22 percent prior to the formation of the combines to 27.5 percent in 1983.

For example, the bakery goods combines produce 23 percent of the entire output of rye bread, 19 percent of the wheat bread and wheat cookies as well as a good half of special breads and diet breads. Overall supplying of the people with carbonated nonalcoholic beverages and with beer is in the hands of the beverage combines. The array of products from the sawn timber and wooden articles combines includes among other things soft and hard sawn

timber--approximately 50 percent of the total output--crates, pallets and diverse products which are part of the 1,000 little things.

The production program of the industrial combines is virtually a mirror image of our republic's centrally-managed industry. Matching the profile of the main products, the bezirk-managed industrial combines are divided into 8 combines for electrical and 11 for technical consumer goods, 7 combines for clothing, purses and fashion items, 8 combines for chemical-technical and 8 for machine-building products and 10 combines for other essential industrial products.

The chief products of these combines include electrical consumer goods such as automatic coffee and tea makers, toasters, radios, camping products such as furniture and utensils, leather goods, purses, custom-made and ready-made clothing, china and ceramic products and many items which are in demand by home workers like hand tools, soldering and welding equipment, and many other things.

Beyond that, the combines produce such important finished products as precision drawing instruments, low voltage switching systems, studio transmission equipment, light construction steel factories, equipment for foodstuff enterprises, industrial robots and machine tools. That is just a small selection, but it makes clear how extensive the spectrum of production in these combines is.

The focal point of further increase in performance in the bezirk-managed combines is the growing effectiveness of science and technology. It is achieved by developing new products with a high utility value, good industrial design and guaranteed sales in domestic and foreign markets. This includes material refinement at low costs, the complete use of domestic raw materials as well as short times for development and transition.

The workers, technicians, engineers and scientists in the bezirk-managed combines are occupied with a large variety of activities in the development of products. Not quite 30 percent of the consumer goods in 1983 were newly developed products. In this the combines for clothing, purses and fashion items should be highlighted, in which 80 percent of production was new products; also the combines in Magdeburg Bezirk where almost every second product was a new development.

In 1984 every bezirk-managed combine has been given the task of increasing consumer goods production by at least 33 to 35 percent and of creating new ideas for an additional third. The center for product development in bezirk-managed industry, which was established in 1983, supports the combines with attractive product ideas and efficient technologies to manufacture them. It is the small and middle-sized enterprises with their great flexibility which are in a position to rapidly expand the array of products which are in demand and to react to any fashionable trend and thus substantially shorten the amount of time from the idea for the new product to development and production to commercial offering.

Concentrating research and development potential on major products also makes an important contribution to this. In spite of the increased share within the overall work force from 0.9 percent in 1981 to 1.6 percent in 1983 of individuals employed in this sector, this potential is still too small. Thus, for example, the "Praecitronic" Combine in Dresden utilizes its association with the Technical University, and the VEB Robotron Combine has adopted this combine.

An essential prerequisite for the above-average increase in consumer goods production and the manufacture of new consumer goods in large numbers of items on the basis of modern technologies must be created by developing our own rationalization means. Output rose in 1983 to 119.8 percent as compared with 1982 and in 1984 compared with 1983 it will increase by an additional one-fourth. Overall, these are rationalization means which have a value of about M300 million.

Those primarily involved in this are the VEB Mechanization of the Economic Councils of the Bezirks, the Berlin Rationalization Means Combine and the Halle Equipment Construction Combine. Their primary sector of responsibility is the design, construction and installation of complex technological lines for rationalizing the production of main products and auxiliary processes as well as the multiple production of rationalization means. Beyond that they are responsible for the construction of preparation for the use of industrial robots.

Primarily in 1983 bezirk-based examples of general socialist rationalization were created in a total of 14 combines. One example of this is the building of a partially automated production line for camping furniture in the VEB Metal Furniture, Berlin, headquarters of the VEB Camping and Handicraft Products Combine, Berlin. The bezirk-managed Combine for Rationalization Means, Berlin, produced a technology for this project, support for the project was provided by bezirk-managed rationalization enterprises in the republic. The result was the doubling of output and a 37-percent increase in this desirable production as well as substantial facilitation of work.

In order to secure the combine effect, since their formation in 1981 the bezirk-managed combines received extensive support by the working class party, the state organs in the territories and by the centrally-managed combines. Over 100 experienced cadres who had proven themselves in practice and who were from centrally-managed industry were placed in the bezirk-managed combines; the councils of the bezirks assigned over 800 cadres to these new economic units.

The concluding of sponsorship agreements in which the manner of the support is set forth and which are actualized each year has proven to be successful. For example, the bezirk-managed Karl-Marx-Stadt Polytechnic and Precision Equipment Combine and the VEB Robotron-Bookkeeping Machine Plant, Karl-Marx-Stadt, cooperate on this basis. The result, among other things, is a new technology for the production of precision drawing instruments which involves industrial robots. A 16-percent growth in performance in the Karl-Marx-Stadt combine can be accounted for; work productivity increased by almost 25 percent.

The focal point in the socialist competition of the working people in the bezirk-managed combines and enterprises in the 35th year of the existence of our republic is to make the growth in performance which has become possible through the formation of the combines immediately effective for the people and for export in the area of clearly growing consumer goods production. Overall, consumer goods production is to increase to 111.4 percent--this corresponds to additional production with a value of about M370 million in contrast to 1983--and work productivity is to increase to 107.7 percent.

12124

CS0: 2300/523

EVASION OF REFORM STRICTURES THREATENS 1983 PLAN FULFILLMENT

Warsaw PRAWO I ZYCIE in Polish No 21, 26 May 84 pp 3, 4, 5

[Article by Krzysztof Krauss: "The Reform in Its Third Year: Directives or Economic Compulsion?"]

[Text] As there are still 7 months to go, it is hard to say anything definitive of this year's national plan [CAP] fulfillment at this point. Undeniably, though, prospects for fulfilling this plan in some fundamental areas are bleak now. For instance, the plan provides for increases such as a 4.5 percent one for industrial output, a 2.6 percent one for national income produced, or a 1.8 percent one for national income for distribution. But in the first quarter industrial output rose only at a 3.7 percent annual growth rate; moreover, this growth was achieved mainly in mining industries rather than in manufacturing.

To fulfill the planned output targets, then, industrial growth would have to reach some 5 percent in the remaining three quarters, a rate many specialists regard as highly unlikely under present conditions (continuing acute shortages of raw materials and other producer goods, labor shortages). Considering industry's top role in creating national income, you should expect a lower-than-planned national income increase if industry fails to reach all its output targets.

Plan and Discipline

The circumstances that this year's plan is in serious danger has made some analysts wonder if the decision to stop arranging plans into a hierarchical structure when rules for the reform were devised was not, after all, a somewhat premature move. As will be remembered, the 26 February 1982 law on socioeconomic planning clearly stipulated, "Enterprises and other socialized organizations draw up plans independently and in view of their own needs, but in compliance with rules specified in the law on state-owned enterprises or in the law on cooperatives and their unions."

While the law on enterprises does rule that "A state-owned enterprise, which operates a part of public property, conducts its economic operations independently in line with targets set in the national socioeconomic plan," such

compliance with the plan must not be achieved by way of administrative orders, but ought to result from economic exigences. In the 1981 "Guidelines for Economic Reform," which were endorsed by the 9th PZPR Congress, this idea is formulated thus: "The purpose of enterprise operations is to meet social needs at lowest possible costs. Enterprises pursue this goal by trying to maximize profits." "The purpose of the government's economic policies is to make sure enterprises comply in their operations with the state's overall socioeconomic objectives."

Some managers and economists have all along been skeptical, saying this particular mechanism of coupling the state's strategic goals with individual enterprise interests is highly unlikely to work. As structural bottlenecks continue, the zloty is weak, the market grossly imbalanced, and foreign trade's freedom of movement practically nonexistent--the argument went--the economic incentives the central economic authority can apply are too weak to make enterprises respect societywide economic interests. The reformed system, these critics predicted, is inevitably headed for a clash between overall goals and individual vested interests of enterprises. The new system puts state interests automatically at a disadvantage, if only for the above-given reasons. The prevalence of an enterprise's vested interests in practical enterprise activity would further be ensured by the institution of employee self-management with its broad decision-making competences.

These latter bodies are appointed by the workforce, and they have to account for their decisions before the workforce. Naturally and obviously, then, self-management bodies will tend to further their own immediate enterprise interests whenever they clash with those of the entire branch or with societywide interests. Opportunities for such potential conflicts are of course numerous (wages, prices, investment spending, etc.).

The third year of experiences with the reform, say the sceptics, is good time for shedding whatever illusions are still cherished. Democracy is a good thing in state organization, but not in the economy. The economy should be tied by discipline--one strategy should be binding both for the top economic authority and for individual enterprises, and everybody should be called to account for his part in putting this strategy into effect. Every new year of experiments with democracy in the economy only raises the social costs of enterprises' moves which encumber the nationwide effort to disentangle Poland from its economic collapse and save it from new further tensions, difficulties and conflicts.

Enterprises Are Uncooperative

The national plan must be a directive everybody respects, rather than the central economic authority's loose forecast or record of wishes taken seriously by nobody and having essentially no clear addressee, say the critics. Already in 1982, they point out, in its first year, the reform brought about developments which ought to have made top decision-makers think hard. Alas, these warning signals were ignored at the time. For many months, enterprises were putting all their energy not into increasing output and cutting costs, but into finding ways of

exploiting the reform-instituted regulations for manipulating prices and production structures in such a manner as to multiply their corporate profits and, accordingly, wages. The effect was that although output fell (it was more than 2 percent down the 1981 level) socialized enterprises could boost their aggregate financial accumulation from Zl 24 billion to a staggering Zl 994 billion, while mean monthly wage soared from Zl 7,886 to Zl 12,334.

In the following year, i.e., in 1983, output rates again went up. But the one segment which was given absolute priority in the national plan, namely consumer goods production, recorded no output increases. Consumer goods production went up more slowly than production in other areas. Whereas the plan had provided for the share of consumer goods in total output to go up, this share actually further decreased. Second, despite the unequivocal stipulation in the plan that the upward movement of prices must be contained and inflation must not exceed 15-16 percent, prices went up by some 25 percent. Third, wages kept soaring, leaving far behind productivity gains and growth rates of consumer goods deliveries. While productivity increased by 8.2 percent and consumer goods deliveries (after adjustment for price movement's effects on supply) by some 6 percent, mean industrial wage increased by 26.2 percent (26.1 percent in construction; 24.5 percent in transportation). This only deferred prospects for restoring equilibrium on the market. Fourth, despite the plan stipulation for stabilizing investment spending, the latter increased by 4.8 percent (at constant prices), which kept inflation at a high level while also foiling bids to concentrate means and labor on investment projects nearing completion. Although costs of completed projects were higher than planned, these projects were worth less a dozen percent or so than provided for in plans.

This year, improvements in production structure (i.e., increasing the share of consumer goods in total output), in the wage vs. productivity growth rates relation, and in investment spending discipline have all yet to come. What has been recorded for sure is an overall output growth rate which is lower than last year's rates and than the 1984 plan target.

Who Mistakes Illusions for Realities?

Facts are what they are, and you cannot but acknowledge them. But the really important thing is, what conclusions you are going to draw from facts. Is it really true that the still many adverse developments in the economy are due to enterprises' defiance of recommendations and stipulations set in the central plan? Could a re-enactment of the hierarchical structure of plans, i.e., the rule that centrally-made plans are automatically binding as an administrative directive for managements at enterprise and enterprise association levels, indeed forestall adverse economic developments more effectively than reform-introduced devices? Were self-management bodies deprived of decision-making competences (in output target definition, profit redistribution, filling managerial posts, etc.), would the recently quite common conflicts between enterprise interests and society-wide interests be mitigated? Would this strengthen economic discipline at enterprises?

Let me cite a recent example for illustration. Is the current lag of output rates behind plan targets attributable to enterprises' deliberate plans for lower production activeness? According to Planning Commission data, national plan targets do not diverge significantly from targets enterprises have set for themselves in their plans. Even more, information enterprises supplied to the Planning Commission indicates they provided for an 0.4 percent greater output growth on aggregate than the 4.5 percent set in the national plan. While enterprise plans lag behind the national plan in consumer goods production growth rates, they outbid the national plan in their export growth provisions. This latter is very significant because extra exports allow for extra imports. Extra exports would open possibilities for supplying Poland's consumer market either directly (by purchases of goods in high demand on the domestic market) or indirectly (buying raw materials and other producer goods to use idle capacities for consumer goods production).

The chief reason for which enterprises failed to keep in implementing their plans, which are generally in compliance with CAP targets, in step with schedule was that managers underrated the need to work out adequate funds needed to push through their plans on their own. Enterprises hoped, for example, for some 1.4 million new employees this year, although reliable estimates of the labor market situation pointed to an imminent decline of free labor reserves. They also planned to achieve some four-fifths of their anticipated output increases by buying more raw materials and components and only one-fifth by saving production materials. Such plans were made despite common knowledge that there is virtually no chance for increasing supplies of raw materials and components by more than 2 percent this year. This means that half the output increase should be achieved by production material savings.

So, enterprises' failure to pay close enough attention to efficiency--involving better use of working time and manpower qualifications, material-saving technologies, etc.--is the chief reason for the recorded delays in achieving plan targets according to schedules. Would efficiency improve and would output increases set in the plan be achieved more easily if the central economic authority simply set binding payroll, material cost limits, etc., for enterprises rather than confining itself to conveying them information about anticipated production terms in 1984? The idea implicit in this question seems naive, to say the least, as soon as you remind yourself of experiences gained during the time of the centralistic command system. Centrally-set limits have never yet sufficed to galvanize enterprises to seek higher efficiency. What they actually did was opening possibilities for juggling with production indicators and never-ending bickering with decision-making bodies authorized to set such limits.

Economic compulsion making enterprise managements seek higher efficiency along with appropriate material incentives have always and everywhere proven themselves as efficiency-boosting factors. No directives from the top can substitute these factors. Too meticulous interference in enterprises' internal affairs always used to narrow down the enterprise management's room for autonomous action while also blurring their limits of competence and accountability. To draw proper

conclusions from existing inefficiency--and this involves more than merely this year's difficulties with plan fulfillment--you must primarily look for an answer to the question, for which particular reason have economic compulsion and material incentives proved to be insufficient as motivating factors?

Compulsion, Not Discretion

The paradox is that the reform's essential purpose is precisely to compel enterprises to seek more efficient management. This is what one of the reform's three pillars, self-financing, is basically all about. This rule implies that every zloty in profits adds--after the enterprise has paid off its liabilities to the state, the bank, etc.--to the funds it can use for its own needs (wages, development, etc.). Every zloty in losses diminishes these funds. Several hundred Polish enterprises, for instance, are facing a prospect of wage reductions due to stagnating or even falling output. Revenue from their sales in the first months this year falls short of their expenditures. Some 200 enterprises are in so dire a situation that unless they take relevant steps very soon they may simply go bankrupt.

However, not all of these enterprises are willing to concede their situation is as bad as their finances indicate. They argue they are not the first to be in a self-financing plight, but what has really happened so far? Has anyone been declared insolvent? Practically nobody, they say. Has anyone ever run out of money for raising wages year by year? Practically nobody, they point out--not even enterprises in debt up to their necks, for if they really wanted it they usually found ways for starting new projects or continuing those under way.

This is indeed true of many enterprises. Despite staunch protestations not to put any more money into enterprises giving no promise for using it properly, banks eventually give in to applications for new credits. Prices, which under the reform were designed as external parameters for enterprise performance, have so far proven themselves as the most effective way toward covering all kinds of costs, including costs incurred through what was incontestably mismanagement. To this come various tax allowances and other stop-gap actions rewarding financially enterprises which at first had allowed their output rates to plummet and subsequently got extra money for "output gains" (on the strength of the Council of Ministers' regulation No 186 of 1982). Similar in character were rewards for "extra" production of consumer goods in 1983.

This is what I believe is the chief reason for many enterprises' failure to stand up to the economic tasks that follow for them from this year's national plan. This has hardly anything in common with the reform-imposed rules of enterprise autonomy, self-financing, or self-management with workforce participation. It has a great deal in common with all too frequent practices of cushioning the impact of the reform-imposed restrictions. In effect, enterprises often feel relieved of their duty to take care of their own future.

What should be done, then? The reform must be pushed through with more steadfastness than up to now, and no deviation must be tolerated. The simple truth is, there is no other way to go.

NEW BAKA WHITE PAPER SUMMARIZING REFORM PRINCIPLES, GOALS

Warsaw RZECZPOSPOLITA in Polish 7 Jun 84 supplement REFORMA GOSPODARCZA
pp 1, 2, 3, 4

[Article by Wladyslaw Baka, Government Commissioner for Economic Reform and member of the Council of Ministers: "The Essence of the New Principles of the Functioning of the Economy (An Outline of the Whole System According to the Present Legal State of Affairs)"]

[Text]

I.

The functioning of the reformed economy is regulated by a system of socioeconomic plans, accompanied by the use of economic instruments and market mechanism. In defining the roles for central planning and for market mechanism, it has been acknowledged that in a socialist economy there are two principal levels of operation--the macroeconomic level at which major processes taking place on the scale of the national economy are regulated and which lies in the domain of the central authorities; and the microeconomic level which lies in the domain of enterprises.

These two levels are strongly interconnected--overlapping and influencing each other. In the final analysis, the social efficiency of economic processes will depend on the quality and effectiveness of actions taken at both these levels. Even with enterprises acting in an ideally rational way, the utilization of production factors will be less than optimal in case the central level decisions are erroneous. And conversely, faulty operations of enterprises may vitiate even the best strategies and patterns of national economic development. Therefore, when the new mechanism of the functioning of the economy was being shaped, equally great attention was accorded to upgrading the level of central planning on the one hand and to the principles of enterprise functioning and to central tools of influencing enterprise behavior on the other. The logic of the new system can be very roughly presented with the help of a block diagram (facing page).

Enterprise operations are shaped by the principles of enterprise functioning, defined in advance, and by the central economic policy which is based on the central plan and whose effectiveness is to be ensured by a set of implementing tools. The systemic principles and the economic policy decisions set the framework and conditions in which enterprises are influenced by the market

mechanism. If the whole past experience is any guide, there are no universal arrangements reconciling in the optimal way--irrespective of concrete conditions of place and time--the central plan and the market mechanism. For this problem to be resolved, the sociopolitical and ideological determinants must be taken into account as well as the economic factors. And this must be reflected in both the principles of enterprise functioning and the central policy tools. So, the problem can hardly be resolved "once and for all." Rather, it requires that a dynamic approach be taken to it.

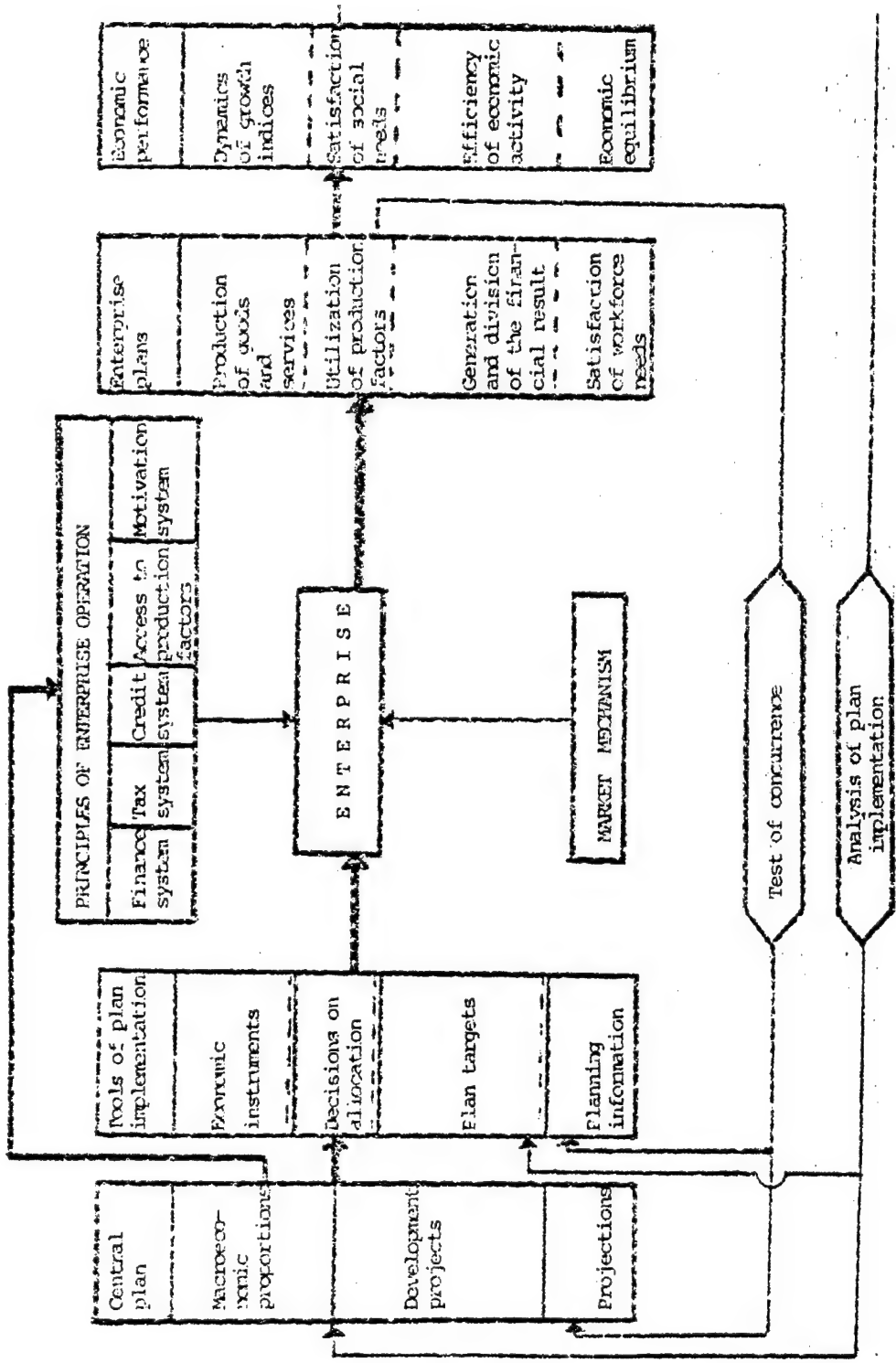
II.

In the reformed system of the functioning of the Polish economy, the central level takes macroeconomic decisions defining the following:

- major figures concerning the growth-rate and structure of national economic development;
- proportions of consumption and accumulation in national income;
- pattern of the division of accumulation and lines of investing, together with the listing of major projects (central investment projects);
- pattern of the division of the consumption fund into private and collective consumption;
- major lines of the development of private consumption, together with determining the level of consumption in respect to the most important goods and services;
- lines of the development of technology (with the listing of major projects);
- territorial distribution of productive forces, and the development of social and cultural establishments in regional breakdown;
- lines of the development of economic, scientific and technological cooperation with abroad, with particular emphasis on the CEMA (with the listing of principal tasks in this field);
- principal relationships shaping the monetary/consumer-market equilibrium--in the balance of payments, in production-supply distribution, and in investment activity;
- physical balances for major products.

III.

National economic planning, as an institutionalized form of socialist relations of production, reflects the act of will of society concerning the goals and lines of national economic development. Understandably, it constitutes a platform in which contradictions between various goals and between interests of various sociooccupational groups, economic sectors and regions come into the open. An



economic growth required in order to meet society's needs is as a rule beyond the reach of the national economy. This means that the question of socio-economic choices, hierarchy of goals, and social preferences becomes the order of the day. The problem is highly complex. As Polish experience indicates, this is a field in which special dangers emerge. With the "plentitude of correct goals," coupled with a strong public pressure, arbitrary decisions have often been taken and tasks set which later proved unfeasible. A method with which to resolve this serious problem is provided by the socialization of planning.

The economic reform has supplied institutional and legal guarantees of the socialization of the drafting of central plans and of controlling their implementation. In the first place, this is reflected in the unequivocal definition (in the Sejm law on socioeconomic planning) of the forms and procedures of participation of representative bodies of all levels, trade unions, sociopolitical organizations, scientific communities and institutions, and large enterprises in the creation of central plans. The law stipulates that society should be extensively informed about variants of draft five-year and annual plans, and that these drafts should be subjected to public discussion. Under the law, the role of the Sejm in making strategic decisions has been substantially enhanced, and the influence of that highest representative body upon the choice of national development lines has been guaranteed. This is served, among other things, by the principle that various variants of the five-year plan have to be considered by the Sejm.

In light of theoretical analyses and existing, rather modest, experiences, it can be assessed that the new institutional and legal arrangements are instrumental in strengthening the strategic role of the central plan, democratizing the general planning processes, and ensuring social control over plan implementation. The new arrangements in the field of planning provide institutional barriers against arbitrary and discretionary management of the national economy.

IV.

The law on socioeconomic planning regulates the functions of plans with differing time horizons--in compliance with proposals put forward by economic scientists. The major tool of socioeconomic policy is the five-year national socioeconomic plan (NSEP), approved by the Sejm and verified every year from the angle of its implementation and new circumstances that might necessitate some corrections. According to the adopted principles, the NSEP is specified in detail in central annual plans (CAP) which are internal documents of the government. The platform for governmental accountability to society as regards the implementation of the Sejm-outlined policy is provided by the NSEP. This new institutional regulation of relationships between the five-year and the annual plans constitutes an important factor of upgrading the strategic role of central planning, ensures more efficient implementation of long-term socioeconomic strategy, and makes it possible to use the advantages of planning in harmonizing the economic processes and meeting societal needs.

V.

The law on socioeconomic planning provides that physical planning has to be integrated with financial planning. This is connected with the great importance of economic tools for the implementation of central plans. With the integration of these two kinds of planning activity, the central plan lays the groundwork for, and specifies the lines of, price policy, credit policy, tax policy, etc. The problem is highly complex. The economic tools should be so designed as to provide a "carrier" of planners' decisions and influence enterprises to act in compliance with the goals of socioeconomic development.

Also defined is the scope of direct administrative influence upon enterprises. The adopted pattern of Sejm-law arrangements in this field draws on the past experience which shows that--with vast opportunities in a socialist economy for the application of administrative tools of plan implementation--the efficacy of these tools have tended to be exaggerated, which often hindered the implementation of socioeconomic goals defined in the central plan.

The regulation, at the Sejm-law level, of state bodies' powers to impose direct tasks on enterprises is harmonized with the new legal position of the enterprise and its operating principles.

VI.

There is a variety of forms in which state bodies can effectively influence enterprises to act in compliance with socioeconomic policy goals. First, the central bodies have retained the key role in shaping the level and structure of the country's productive potential. It is at the national level that the so-called central investment projects are listed and that their implementation is guaranteed. These projects cover the construction of the most important facilities--from the point of view of the country's economic structure. The state bodies effectively influence the scope and lines of enterprises investments--through regulating the division of depreciation allowances between the enterprise and the budget, and through the centrally-controlled credit policy.

When it comes to ensuring the compliance with central plan provisions of the overall level and structure of production, and level and structure of the utilization of productive factors, the most important role is played by economic instruments and parameters, influencing the measurements of enterprise economic activity (profit, net production) and the distribution of the profit within the enterprise.

According to law, a state body may impose an obligation on an enterprise to include a task into the latter's plan or may set a task outside the plan, if this is necessary for reasons of national defense, fight against natural calamities; or observance of international commitments. The task is to be executed on the basis of a contract between the enterprise and an organizational unit named by the state body. In such case, it is the duty of the state body to provide the enterprise in question with means necessary to execute the task.

An important method of influencing the structure of production and ensuring the conformity of enterprise and central plans is provided by so-called government orders for materials and end-products.

The list of products covered by such orders is inscribed into the Central Annual Plan. These are as a rule raw and intermediate materials and consumer goods in very short supply and of key importance. The orders also embrace major exports. Enterprises are interested in landing government orders for specific production- or service-related tasks because in such cases they are granted priority access to supplies and, often, additional preferential treatment. The executor of a government order is to be chosen by means of efficiency-oriented bidding ["przetarg efektywnosciowy"], based on the following criteria: unit cost of a product and its price, unit consumption of raw and intermediate materials, import content, and quality.

The law on special legal regulation during the period of recovery from crisis stipulates that an enterprise may be obligated to accept a government order, in accordance with the principles laid down in Article 54 of the state enterprise law. Characteristically, there has been no need so far for ministries to impose such obligations. This no doubt reflects the attractiveness of the orders. The situation would certainly deteriorate if the scope of products covered by government orders were to be excessively extended.

An important role in the system of state bodies' influence upon enterprises is played by organizational instruments (e.g., the right to establish and liquidate enterprises, or authority to permit enterprises to engage in operations other than those specified in the enterprise foundation acts), and personnel-related instruments (e.g., the right to appoint and recall directors of enterprises of special importance to the economy, public utility enterprises, and newly-established enterprises; the right to veto worker councils' decisions on directorial appointments and dismissals in the remaining enterprises; the right to suspend a director in case his continued discharge of duties constitutes a major violation of law or poses a threat to the basic interests of the national economy; a comprehensive assessment of enterprise operations and directorial performance; the setting of wages and working conditions for directors, irrespective of whether they have been appointed by a minister or a worker council.

VII.

Ensuring an overall concurrence of enterprise plans and the central plan is a matter of great importance for the functioning and development of the national economy. In place of hierarchical subordination of the past and the practice under which the plan had to win approval at various levels [of national economic management], diversified methods are now being applied, taking into account the specific features of individual sectors and economic entities. The method applied in respect to raw materials- and fuels-related sectors (marked by high degree of concentration) and to the largest production organizations is one of "direct contacts" between the central bodies and the managements of

industrial groups or enterprises, aimed at a joint mapping out of a development strategy for the field in question. (This is the case with, e.g., the power and coal/lignite industries, the copper mining/processing complex [in the Legnica-Glogow region], shipyards, the Stalowa Wola and Poznan's A. Cegielski engineering complexes]. Plans of some 1,000 large enterprises (some 20 percent of the total) are subject to questionnaires ["ankietyzacja planow"], while in respect to the remaining ones representative polls are conducted. It may be recalled that, under the state enterprise law, enterprises are obligated to provide state bodies with planning information to the extent defined by the body concerned.

On the basis of enterprises' planning information, supplied in accordance with the principles presented above, a "test of concurrence" is conducted [see the diagram on page 3] between the central and the enterprise plans. When the results of the test are known, some changes may be made in the central plan or the instruments of its implementation may be corrected (e.g., higher taxation of wage growth, or greater relief in corporate income tax on account of growth in consumer-market production and services). This is a very difficult task. Its implementation requires a deep knowledge of socioeconomic, and even psychological, mechanisms influencing enterprise behavior.

For the new economic mechanism to function correctly, the socioeconomic situation should be carefully monitored (see the diagram)--first of all, in order to identify trends and developments which might pose a threat to the implementation of the country's socioeconomic goals. With this in view, a so-called early warning system has been established in Poland, covering the most important sources and channels of social and economic information. Intensive work is now underway on preparing scenarios of state bodies' action in case disquieting trends and developments emerge in the economy. This is an important line of creating an integrated system of national economic management.

VIII.

The reformed economic mechanism rests on the principle of enterprise autonomy and self-financing.

Under the principle of autonomy, the enterprise takes decisions concerning the entirety of its operations--on the basis of economic criteria, and in search of the maximization of the systematically-defined measurements of enterprise efficiency. The autonomy of the enterprise should not be understood in an absolute way. The enterprise is just one element of the national economy, and its activity must be synchronized with the goals and determinants of national socioeconomic development. This assumption sets the framework for autonomy, and the scope and methods of state bodies' influence upon the enterprise.

In practical implementation of the autonomy principle, an immense role is played by the technical/economic features and weight of individual areas of the economy. Enterprises operating in infrastructure (e.g., public utility companies) and enterprises of basic importance to the national economy (e.g., the power and mining industries) are tied with the central plan in a more direct manner than

market-oriented enterprises, e.g., in the cosmetics or garments industries. This aspect is taken into account whenever organizational structures are being shaped. [The new] legal arrangements leave room for a variety of organizational forms, of various scale of integration, and for various systems of links among enterprises (from single enterprises to nationwide enterprises, from voluntary to mandatory associations, from vertical combines to mixed companies, from lower-run agreements to joint-stock production/commercial companies). The major criterion applied in the process of forming the organizational structures is that of economic efficiency and capacity to meet national goals.

Under the principle of self-financing, the enterprise covers its expenses with revenues, and takes full responsibility for its performance--up to bankruptcy. This does not mean that the notion of subsidy has disappeared in the new system. This economic category is maintained, but its socioeconomic content has changed substantially. While previously the subsidy served to equalize profitability levels (thus offsetting the consequences of both a wrong pattern of prices and mismanagement), its purpose under the new system is, in the first place, to express social preferences for a given line of production or consumption (e.g., milk price subsidy).

A definition of procedures applied to inefficient enterprises (bringing in negative financial result) comes as a logical complement to the self-financing principle. Three stages are provided: a) internal proceedings, b) commissary management, and c) bankruptcy. The internal proceedings are taken when an enterprise makes losses which, however, can be covered with the reserve fund or a bank credit. A program of financial recovery, carried out as part of internal proceedings, is targeted at such transformations in the structure and operating methods of the enterprise (concerning, e.g., the organization of production, utilization of working time, rationalization of raw-material consumption, etc.) which will make possible the attainment of a positive financial result and, consequently, the restoration of credit-worthiness (or capacity to meet pre-determined conditions for the granting of credit).

If the internal proceedings fail to bring about an improvement in the enterprise's economic situation, two options are left. Whenever justified by public interest, commissary management will be imposed on the enterprise, depriving it of autonomy. The bodies of the enterprise (management, worker self-management) will be dissolved, and responsibility for it will be assumed by the overseeing state body which at the same time will provide funding to cover losses. If the commissary management is not socially warranted, the enterprise in question will go bankrupt. Such an enterprise, or its part, can be purchased only by units of the socialized sector. State bodies are obligated to ensure employment for the whole workforce of the bankrupt enterprise.

So this new category in the Polish economy's legal system has nothing in common with the bankruptcy of an enterprise under the capitalist system. It constitutes an instrument of stimulating interest in efficiency on the part of the labor force, worker self-management and management, and a new tool of adjusting the manner in which the national economy's productive potential is being utilized to the changing social requirements.

IX.

Providing motivation to economic progress and ensuring overall concurrence of enterprise decisions with social goals are key problems related to the economic mechanism of the enterprise. They can be solved by means of providing strong incentives for enterprises to achieve a positive--and as high as possible--financial result, and by so "fixing" the systemic principles and implementing instruments as to ensure that welcome trends in financial result come exclusively as a consequence of real dynamics of production and real improvement in the efficiency of economic activity.

In accordance with the provisions of economic reform, the economic system of the enterprise rests on a holistic criterion of efficiency, as expressed in the financial result of enterprise operations. The financial result constitutes a difference between the sales revenue and the total cost of production and sale, plus product (direct) subsidies ["dotacje przedmiotowe"], less the sales tax, adjusted for compensatory financial settlements in foreign trade ["rozliczenia wyrownawcze"], compensatory price differentials ["roznice wyrownawcze cen"], producer (indirect) subsidies ["dotacje podmiotowe"] and the balance of extraordinary losses and profits.

The motive behind the application of the profit criterion was that enterprises should be offered a beacon on which to orientate when making economic choices. As it happens, enterprises are usually faced with a number of alternative solutions--from the angle of fragmentary criteria of efficiency, such as labor productivity, raw-material content, product quality, capital to output ratio, etc. Measures designed to boost productivity may easily run into conflict with other criteria. The same is true of raw-material savings or quality improvement. There exists a sort of competition among fragmentary criteria of efficiency. If the premises of economic choice are to be set in order, it is necessary that such parameters of economic calculus be set which make it possible for enterprises to "weigh" the importance of individual criteria (from the point of view of social goals). This can be achieved precisely by means of a holistic criterion of efficiency and relevant parameters of economic calculus, set by the center and concerning, in particular, the evaluation of individual productive factors.

The adoption of profit as a holistic criterion of efficiency does not exhaust the problem of mobilizing the driving forces at enterprises to dynamize production and improve efficiency of economic activities. What is most important for enterprise workforce is wage, not profit. This has been fully taken into account in the reformed mechanism of the functioning of the enterprise, under which the dynamics of wages (wage fund) is directly tied to the dynamics of net sold production, after adjusting for price changes (for more on this see part XI). Both measurements (profit and net sold production) act in the same direction. Production growth, rationalization of employment, higher productivity of labor, quality improvement, economies in the consumption of inputs--all of these factors influence increase in both profit and net sold production. Discrepancies emerge only when wages come into play. Since the net sold production is a difference between the value of sales and material costs, then it is enhanced by every

increase in wages, which however simultaneously adds to (personnel) costs, thus cutting on profits. But this should not be taken to mean that there is no barrier to growth in wages' share in the pattern of enterprise costs. First, under the generally-applied category of "warranted costs," the share of wages in production costs is tied to the normative labor-to-output ratio and to the hourly wage rate. Second, the hourly wage rate cannot be increased otherwise but through better utilization of working time and higher productivity of labor, because the impact of changing prices of productive factors and production is eliminated from the calculation of net sold production.

X.

The financial result (profit) of the enterprise depends on the revenue from the sale of goods and services and on enterprise costs of production and sale. The sales revenue, in turn, is determined by the volume and structure of sales and the level of obtained prices. As for the costs, they are influenced by the consumption of raw materials, energy and fuels, inventories management, organization of production, the level and structure of employment, utilization of working time (and, consequently, productivity of labor), product quality, degree of capacity utilization, material resources management, etc., plus prices of production factors. Whether or not the enterprise functioning system lives up to social expectations depends on its efficacy in influencing real growth of production, its adjustment to social requirements, and optimization of the use of productive factors.

As reflected in the design of the category of profit, it is influenced by the intensity and rationality of enterprise activities on the one hand and by the prices of sold products and evaluation of consumed productive factors. To a great extent, the concurrence between enterprise operations and social goals depends on how these categories are shaped.

Three kinds of prices are applied in Poland: official, regulated, and contractual (free).

The official prices are charged for: a) consumer goods and services of basic importance for costs of living or for health protection; b) producer goods and services of basic importance for production costs; c) basic agricultural products, purchased by socialized economic units. The official prices for consumer goods and services are set at the level of warranted (average) costs of their production and sale, and normative profit margin. [In setting these prices] social preferences are also taken into account (e.g., protection of the economically weakest groups). The levels and pattern of official prices for producer goods and services are shaped in accordance with average prices paid or obtained in foreign trade.

The regulated prices are set by sellers on the basis of centrally defined principles, specifying their extent, procedures for calculating costs (warranted costs), and normative profit margin, counted in relation to processing costs.

The contractual prices, which are freely negotiated among enterprises and other economic units, also have to be set in accordance with pre-determined rules of warranted-cost computation. But in contrast to regulated prices, no normative profit margin is defined for them.

This margin is negotiated between parties to the act of sale and purchase. A condition for correct functioning of the contractual prices system is the existence of market equilibrium and competition among producers. Otherwise, the system may degenerate. Therefore, in step with the learning of the market and production situation, the extent of contractual prices is being adjusted to coincide with the areas where these conditions are met.

At the same time, state bodies have been equipped with effective tools to counter unwarranted increase in prices and to shape price policy. When a seller realizes profits which glaringly differ from average profit--taking advantage of monopolistic position or market imbalance--he may be ordered by the authorized state body to charge regulated prices.

In order to counter the adverse socioeconomic phenomena deriving from the application of contractual prices, the Council of Ministers may: a) freeze these prices for a period of time; b) impose temporary ban on price increase for specified groups of goods and services, barring the situation where these increases come as a result of factors outside the control of the enterprise (e.g., rise in raw material prices or insurance fees); c) impose temporary upper limits of growth in contractual prices for specified goods and services.

State bodies can choose from a broad range of price-influencing instruments. Their utilization requires that calculation and reporting of enterprise costs be improved, so that the venue, kind and scope of discrepancies between actual and warranted (normative) costs could be identified with accuracy and so that the supply-demand relationship could be learnt in depth. This is an important condition for setting prices in order. More importantly, this is a condition for strengthening the role of the price as a factor pressing enterprises to improve efficiency and preventing them from realizing unwarranted gains.

XI.

Of particular importance for stimulating the enterprise's production activity and rationalizing its operations is the linkage between the motivation system and measurements of efficiency. The most important here are two aspects--the supply of wage funds to enterprises and the division of these funds among the workforce.

As far as the former is concerned, the index for enterprise wage fund growth [free from FAZ taxation] is defined as the product of the index of net sold production growth and the centrally-fixed normative coefficient of 0.5. (For some sectors, listed in the Central Annual Plan, this coefficient is higher--up to 0.8. This is one way in which central policymakers can accord preferential treatment in the area of wages.) When the sold production index is down, then the coefficient of 0.8 is applied automatically. It may be noted that the net sold production is calculated annually at comparable prices. So it cannot be enhanced by means of price increases (which would lead to unwarranted increase in wages). This solution is of great importance from the angle of countering inflationary tendencies at enterprises. The enterprise is entitled to increase prices above the threshold defined by the above mentioned calculations--but for each percentage point of wage growth above this threshold the profit for distribution is progressively taxed, according to the following table.

Wage growth above the threshold (percentage points)		Rate of taxing the amount of wage growth (%)
1.	up to 1	40
2.	1 to 2 inclusive	80
3.	2 to 3 - " -	120
4.	3 to 4 - " -	200
5.	4 to 5 - " -	300
6.	above 5	400

It is also important that, in calculating the tax-free growth in wages, the base level reflect exclusively the amount of preceding year's wages calculated as the product of the net sold production index and the centrally-defined normative coefficient [i.e., wages not taxed with FAZ]. The example: If the 1983 production index in an enterprise stands at 110 percent, coupled with the normative coefficient of 0.5, the index of "untaxed" growth in wages will be 105 percent. But the enterprise decided to raise the wage growth by 5 points to 110 percent--and, consequently, to contribute relevant funds to state coffers, in compliance with the above presented table. In the next year (1984), the base will be 105 percent, not 110 percent. The introduction of this rule has made it possible to closely link wage growth to increase in net sold production, i.e., to realize the principle of "wage according to work" in respect to the whole enterprise. This largely restricts the tendency among enterprises to choose "strategies" aimed at maximizing wages without sufficient effects in the form of production and economies.

What is immensely important, this rule greatly enhances the effectiveness of central influence upon the pattern of wages. It may be added that, next to the already mentioned differentials in normative coefficients, the central level is empowered to exempt some amounts of wages from taxation. This method is applied mainly to the enterprises in which--for technological reasons--the opportunities for increase in net sold production are very limited. It is also used for the purpose of shaping intersectoral and inter-enterprise wage patterns. It is assessed that the present mechanism provides sufficiently broad opportunities for the central level to influence the dynamics and pattern of wages, in various breakdowns.

The other aspect has to do with the division of wages among enterprise employees. This is all the more important as the level and structure of employment is shaped autonomously by the enterprise. The enterprise wage system is thus of prime importance for both rationalization of employment, utilization of working time and productivity of labor on the one hand and improvement in product quality, raw-material economies, and rational maintenance of plant and equipment on the other.

Another highly important problem is the motivation to inventions and shop-floor improvements--or, more generally, to technological progress. In order to enable enterprise to closely link wages to results of work of individual employees, labor

brigades and larger collectives, new principles of creating enterprise wage systems have been laid down in the Sejm law of 26 January 1984. The law stipulates that work establishments can pursue independent policy of wages within the available wage funds, and in particular can specify the components, forms, principles of granting, and the level of wages.

The pay principles and the level of wages should be geared to the kind, quantity and quality of work done and to working conditions. Serving this goal are centrally-defined principles of job evaluation. Rates for the lowest pay grades, minimum spread between the rates for the lowest and the highest pay grades, minimum additional components (for work in overtime hours, at night-shift, in conditions posing health hazards, and in arduous or dangerous conditions) and minimum seniority bonuses are defined at the central level.

Prior to the introduction of a wage system allowed under the law, an agreement is required between the enterprise manager and the relevant body of the enterprise trade union branch--to be signed after consulting the worker council and receiving the approval of a general meeting of employees (or their delegates). The new system must then be registered by the minister of labor, wages, and social affairs. The registration is made at the request of the enterprise manager, after receiving a positive opinion of the ministry overseeing the enterprise in question, concerning the meeting by the enterprise of certain conditions. In particular, these conditions include: efficient economic activities, adjustment of work norms to the requirements posed by the technological level of the enterprise, and modern organization of production.

The adoption of the new principles of shaping enterprise wage systems was preceded by nearly two years' experiment in some 100 industrial enterprises. The performance of these enterprises testified to the existence of vast reserves for production growth and efficiency improvement--by means of adjusting wage principles at enterprises to factors which can be handled by the enterprises themselves. The adopted procedure of "enterprise agreements" is of enormous importance. The present wage system includes many so-called nonmotivating elements, or wage components not related to labor input. It is assessed that understanding and support from the workforce will be necessary for the replacement of the old pattern with motivating wage systems.

XII.

The dynamics, lines, and efficiency of enterprise operations are greatly influenced by financial arrangements, especially by the principles of profit distribution and rules governing the formation of enterprise funds. Following is a summary review of these principles, introduced as part of Polish economic reform.

Profit, understood as the difference between sales revenue and enterprise costs, is the initial category. Reduced by due corporate-income tax, it constitutes profit for distribution. At this juncture, mention should be made of three important aspects which bear on enterprise finances.

The first one has to do with the computation of corporate income tax. Under the formula used in 1982-1983, a progressive tax rate was linked to profitability, understood as the ratio of profit to processing costs (the higher the profitability the greater the tax). Designed in response to specific conditions of the first 2 years of reform, that system was targeted, in particular, at leveling excessive profits of enterprises, which were often connected with substantial movements in prices, necessary for the purpose of setting the economy in order.

The progressive tax formula came under a fire of criticism. Its adverse impact on production growth and improvement in efficiency was stressed. After passing a certain threshold of profitability, enterprises were no longer interested in improving their financial results, since only a small fraction of profit would be left at their disposal.

Starting from 1984, income tax is levied at the proportional rate of 60 percent of the tax base. This arrangement eliminates the existing disincentives to production growth and profitability improvement. Understandably, its introduction was possible owing to substantial progress made in tidying up and controlling the area of costs and prices.

The second problem concerns the computation of the income-tax base. This base, or profit, is increased by the equivalent of unwarranted costs and losses. Counted as unwarranted costs are in particular costs (50 percent) borne in order to repair faults in products and services revealed by clients, and hospitality-fund expenses above a certain limit. Unwarranted losses include, among other items, penalty fees and damages paid on account of inferior quality of products and services, failure to meet environmental regulations, failure to implement orders of inspection bodies concerning the occupational safety and hygiene, etc.

Experience shows that the raising of the tax base by the equivalent of unwarranted costs has the effect of increasingly stimulating enterprises to eliminate the causes of these costs. It is thus an important instrument of encouraging enterprises to act in accordance with social goals.

While in the case of unwarranted costs the goal is to dissuade enterprises from actions which contradict the common weal, the system of income-tax concessions is aimed at prodding them to undertake some kinds of operations. Under systemic arrangements (i.e., with no need for separate decisions of administrative bodies), enterprises receive income tax relief on account of: a) investment and modernization projects funded from own resources and aimed at import substitution, savings of raw materials, fuels and energy, application of domestic inventions, use of recycled and local raw materials, improvement of environmental protection and of occupational safety and hygiene; b) growth of export production, launching of by-production for the consumer-market, improvement of product quality, expansion of consumer services; c) running of factory schools and dormitories. Totally exempt from income tax are cooperatives of the disabled, provided that the funds so obtained go to the fund for rehabilitation of invalids. It is assessed that the system of tax concessions perceptibly influences enterprise decisions.

In dividing the distributed profit, the following rules and sequence are observed. Deducted in the first place are contributions to the reserve fund which must not be lower than 10 percent of the amount of profit for distribution. An enterprise may forego the reserve fund contributions if the fund exceeds the equivalent of 4 percent of its operating costs. The purpose of the fund is to cover losses and contribute to the development fund of the enterprise. The next deduction comes as a result of progressive taxation of wage growth above the [FAZ-free] threshold (see part XI). The remaining part of profit for distribution is divided by the enterprise on its own--for development purposes, for bonuses and awards, and for contributions to the enterprise's social and housing funds.

The development fund comprises--next to the part of distributed profit earmarked for development purposes--50 percent of depreciation charges on fixed assets. In some sectors, the proportion of depreciation allowances left at enterprises is higher--up to 100 percent. Decisions in this respect are made as part of national socioeconomic plans. It is assessed that the principle of central definition of the pattern of depreciation division between the budget and the enterprise constitutes an important tool of influencing the lines of investment in the economy.

The workforce participation fund, formed from distributed profit resources, is spent for the payment of individual awards and bonuses, and for contribution to the social and housing funds of the enterprise. Bonus and award payments above the threshold of 7 percent of average monthly pay are subject to progressive taxation to state coffers. The goal is to counter the tendency towards favoring consumption purposes upon the division of profit by the enterprise's worker self-management.

As for the enterprise's social and housing funds, their level in the past was directly linked to the amount of wages paid in the enterprise (3 percent for the social fund and 2 percent for the housing fund). This arrangement was both socially unjust and anti-motivational. The funds were high at enterprises with high wages, and vice versa, while it was the low-pay enterprises (especially those with a high share of women in the workforce) that had to cope with burning social problems.

Under the reformed system, the funds in question are formed from basic annual contributions, counted as operating costs and set at a uniform per-employee level throughout the national economy. This level stands at (a) 50 percent of the lowest pay in the national economy for the social fund and (b) 25 percent of the lowest pay in the national economy for the housing fund. Besides, the enterprise may complement both funds with distributed-profit resources, without any taxation to the state budget.

The new arrangement combines the principles of social justice (all employees enjoy the same opportunities for participating in that part of collective consumption which is connected with basic contributions) and motivational elements (the higher the profit, the greater the capacity to finance social and housing activities).

XIII.

The functioning and development of an enterprise is determined in no small measure by the manner in which it is supplied with production factors, especially labor, capital equipment, production supplies, and--given the growing importance of the international division of labor--foreign exchange.

In the initial stage of reform, many production factors were in very short supply. This circumstance had to be taken into account so as to ensure priority access to scarce factors for enterprises producing the most needed articles (medicines, foodstuffs, children's garments and footwear, etc.).

The goal was also to ensure--by creating the mechanisms of preferential access to supplies--direct influence of the central level of national economic management upon changes in the structure of production, export promotion, and implementation of intra-CEMA long-term agreements on economic cooperation. To serve this end, there has been introduced the category of government orders for raw and intermediate materials and end-products necessary to meet domestic and export requirements and for investment and research and development projects of particular importance to the national economy. The list of raw materials, intermediates, and end-products covered by the government orders and the level of related production are specified in central annual plans, while the list of investment and R&D projects carried out to government orders is to be provided in (five-year) national socioeconomic plans.

The enterprises which have not landed government orders and do not enjoy preferential treatment in access to supplies will have to adjust the structures of production and of productive-factor consumption to the current production-supply situation in the country. An important line of alleviating the supplies deficit will be provided by more intense utilization of local raw materials, by-products, and recycled products.

As far as the management of labor resources is concerned, the enterprises are free to shape the level and structure of employment. There are no barriers to increasing individual wages by means of reducing the level of employment or improving its structure. Decisions on this subject are entirely in the purview of enterprises. For the time being, however, the impact of this mechanism upon rationalization of employment has been less than satisfactory. Tendencies towards keeping surplus labor, resistance against changes of the workplace, insufficient activity in the field of labor redeployment and retraining are still the order of the day.

The just-introduced corrections in economic policy and in the system of the functioning of the enterprise are aimed at creating conditions for labor mobility among sectors and regions (housing), in accordance with the requirements of the national economy, and at strengthening the mechanism of employment rationalization at enterprises. In order to overcome periodic difficulties with the inflow of labor to enterprises of special importance to the economy, an obligation to seek employment through compulsory labor exchanges was introduced in the sixteen biggest voivodships. Because this decision has been in force for just several months, there are no sufficient grounds for assessing its consequences.

In the field of investment, there are two major categories of central and enterprise projects--in accordance with the provisions of reform. The central investment projects are of principal importance for the shaping of the country's production macrostructure (in sectoral breakdown) and are listed directly in the national socioeconomic plan. As for the enterprise projects, they as a rule induce changes in the structure of productive potential within individual sectors of the national economy. Their major purpose is to intensify adjusting processes aimed at meeting the national economy's requirements and creating technical conditions for the improvement of efficiency and working conditions at enterprise.

The central projects are financed with budgetary subsidies and, sometimes, bank credit, while funding for enterprise projects comes from the development fund and bank credit. With a view to encouraging enterprises to take investment decisions which comply with its long-term economic policy, the state--next to exerting influence through depreciation division and bank credit--may also grant subsidies to finance some projects of enterprises.

As for the provisions of foreign exchange resources to enterprises, four options are available: a) access to the central pool of foreign exchange (mainly for enterprises executing government orders) or to centrally-financed imports (mainly of basic raw materials); b) the system of export-revenue allowances under which enterprises may keep a pre-determined proportion of their foreign-exchange export revenues (the proportion is assigned to an enterprise or a group of enterprises by the foreign trade minister, on the basis of guidelines provided in the central annual plan and in the plan of the country's payments operations); c) access to convertible-currency credits to facilitate export production; d) efficiency-oriented auction at which convertible funds can be purchased for the purpose of expanding consumer-market production.

The greatest role is now played by the first two options. The system of export-revenue allowances is believed to be the most effective tool of stimulating growth of export production. Enterprises think twice before spending "their" foreign-exchange funds, taking care for the highest possible efficiency of their autonomous imports.

XIV.

For the economic mechanism to be improved, an effective system of analyses and appraisals is needed, making it possible to identify social and economic trends and developments induced by reform--both positive and negative ones--and to draw relevant conclusions concerning the concepts, legislation, and practical action.

Under a decision of the Council of Ministers, a special system of analyses of the course and results of reform has been set up. It focuses on the economic and social consequences of the new principles, public perception of changes in the functioning of the economy and their impact on public consciousness. Information supplied to the system comes from a variety of sources--ministries and central offices, local bodies of state administration, enterprises, sociopolitical and occupational organizations, higher schools and research establishments, and from the media--which makes easier the task of learning the public assessment of reform.

Particular attention is devoted to three aspects--first, the impact of the mechanisms of reform upon the broadly understood dynamization and efficiency of the economy; second, the degree to which the economy can be controlled and the concurrence of enterprise operations with social goals; and third, the social consequences, and in particular the impact of new arrangements upon the situation of various socio-occupational groups and upon the realization of social principles of socialism. In response to the findings of analyses, and with account being taken of current and projected determinants of economic processes, corrections of the mechanisms of reform are prepared, so as to ensure that these mechanisms help to attain the social and economic goals set in the central plans.

CSO: 2600/1072

ADVANTAGES OF MEMBERSHIP OF INTERNATIONAL FINANCIAL ORGANIZATIONS

Warsaw RYNKI ZAGRANICZNE in Polish 9, 12 Jun 84 p 8

[Interview with Dr Jozef M. Toczec, member of the Polish Academy of Sciences, "Poland 2000" Committee, by Tadeusz Lamacz]

[Text] [Question] In a situation where the burden of debt weighs heavily on our economy, the question arises whether the possibilities of alleviating it are being utilized on the way to placing Poland within the system of international economic cooperation. What matters in particular is our access to the IMF and to the World Bank. It is a well-known fact that Poland has expressed such a desire. However, for various reasons we continue to be outside of the IMF.

[Answer] Poland is the only significant debtor which is not a member of the IMF. This greatly hinders the working out of a way to resolve the problem of debt. Government and private creditors are primarily interested in getting back the money which they had lent. The IMF has a broader outlook in such matters and relaxes the sometimes extreme demands of the creditors and to a certain degree even protects the debtor states. On the issue of membership, we should bear in mind that Poland was a founding member of the IMF and that this is not a question of becoming a member but of our country's return to this organization.

[Question] There is concern expressed at times that membership in the IMF may entail the possibility of disturbing the sovereignty of the state.

[Answer] It is interesting to note that there is frequently concern over the danger of disturbing the sovereignty of the state by reason of membership in the IMF, while no one questions the possibility that state sovereignty may be threatened by reason of membership in the United Nations, especially in light of the acceptance by the UN Security Council of the decision to impose specific sanctions on one of its members.

The International Monetary Fund claims that in accordance with its statute, it does not impose any conditions upon governments but only cooperates with them in developing and financing programs for healing the economy. If a given country does not want to submit to this arranged procedure then it does not have to get stand-by credit. However, there are countries which do not want

credit but want the IMF to carry out the "stand-by arrangement" procedure in order to obtain a "certificate of good management" for the purpose of increasing their credit reliability on capitalist markets.

In my opinion, the current practice of submitting to banks and creditor governments information and economic plans in connection with refinancing negotiations is considerably more difficult than the procedure used by the IMF, to say nothing of the difficult conditions which we had to accept in signing the first, so-called Frankfurt refinancing agreement with private banks in 1982. The threat to the sovereignty of the Polish People's Republic arose during the period of obtaining excessive foreign credit in relation to absorption abilities, and not now when we are seeking instruments and institutions such as the IMF and the World Bank which can make it easier for us to solve this difficult problem. Let us also not forget that the membership of the IMF is made up of not only capitalist countries but also of socialist countries and developing countries, whose decisions in the IMF cannot be ignored or disregarded.

[Question] However, there are those who claim that the obligation of submitting information as specified by the statute of the IMF may conflict with our membership in the Warsaw Treaty Organization and in CEMA.

[Answer] Let us not forget that the obligation of submitting information or reports is imposed upon member states not only by the IMF but also by other international organizations to which Poland belongs such as: FAO, ILO, WHO, UNESCO and GATT. However, the experience of other socialist countries, Hungary and Romania, shows that membership in the IMF does not conflict with membership in the Warsaw Treaty Organization and in CEMA.

Within this context, it is worth noting that the range of published economic information has expanded considerably in the PRL in recent years. As a result, PRL authorities did not have problems in answering a list of questions presented by an IMF delegation in December 1981 which was necessary for the preparation of a report by the IMF Secretariat in regard to the acceptance of the PRL. The issue of Poland's return to the IMF has been under consideration for a dozen or so years. Therefore, the decision of the PRL Government in this matter was thoroughly thought out and was not made hastily.

[Question] What specific pluses do you see in our possible participation in the IMF and in the World Bank?

[Answer] The greatest advantage, in my opinion, may be the creation of conditions for counteracting the decreasing participation of the PRL in the international division of labor for the stabilization of the economy. In terms of specific, measurable advantages what matters is both the credit obtained from the IMF as well as increasing the credit power of the PRL on the international capitalist market. According to IMF assessments, every dollar of credit granted within the framework of a mutually worked out program of stabilizing economic undertakings (the so-called stand-by arrangement) brings as a result of increased credit power 4 dollars in the form of credit in private banks.

Membership in the IMF also opens the door for membership in the World Bank. There is a small digression here. Whereas the IMF is concerned with monetary matters, stabilization of the economy and the balancing of the balance of payments, the World Bank handles the financing of economic development through participation in specific investment programs and plans. The activity of these institutions complements each other: the undertaking of successful programs of economic development is dependent upon the economy's prior relative stability.

Participation in the World Bank would offer us the opportunity to obtain credit for specific investment programs and plans in the field of the infrastructure of agriculture, of the power industry, etc. Also of great importance to us is the opening of the way for participation in the transaction of financial investments by the World Bank in KR [developing countries] within the context of the program of expansion by us of economic cooperation with those countries. This would relax the present barrier of crediting our exports, particularly our investment export to those countries.

[Question] Nonetheless, the use of IMF and World Bank member privileges is tied to the acceptance of many rather difficult conditions of an economic nature. An article was published in RYNKI ZAGRANICZNE entitled "Eleven Commandments of the World Bank and the Polish Issue," in which a discussion was initiated on the subject of the conditions for benefiting from the bank's assistance. You are undoubtedly familiar with the contents of this article. How do you assess the, at any rate, rather difficult requirements?

[Answer] It seems to me that assistance from the bank is, above all, dependent on the quality of investment programs and plans presented for financing. However, the IMF pays greater attention to the carrying out of proper economic policies when the aforementioned "stand-by arrangements" are being agreed upon. Above all, it should be stated that economics is not one of the pleasant fields of science. It is a gloomy art of allocating limited funds for competing purposes. If funds were unlimited, the science of economics would be unnecessary. Oscar Lange wrote that economic laws are objective and only the forms under which they manifest themselves vary. Basically, the principles of management are the same everywhere. They require economizing, the making of sacrifices, discipline, hard work, risk and giving up certain goals for the sake of others. Peasants are very well aware of this since they always go by their own economic account. That which is obvious on the level of household management also applies to a significant degree to the national economy. If I want to buy a car, I must limit my current consumer expenses. If I have incurred too many debts, I must sell my car to pay them off. In this regard we would have to agree with the conclusions of the authors of the article "Eleven Commandments of the World Bank and the Polish Issue."

[Question] How do you see our national economic policy on this basis?

[Answer] I feel that in recent years the PRL Government has made many difficult economic decisions that were convergent with the traditional recommendations of the IMF and the World Bank but were accepted irrespective of them. What occurred was a drop in the standard of living, prices were raised,

investments and wage increases were limited and agricultural development incentive measures were adopted. Taxes were raised while the budgetary deficit was curtailed. There is also an outline of an economic plan in the form of the one accepted by the Ninth Congress, "A Plan for Overcoming the Crisis and Stabilizing the Economy." However, two things should be stressed. First of all, the plan for overcoming the crisis and stabilizing the economy should be precisely defined in specific investment, modernizing or overhaul projects. These in turn should become the object of research worked out according to the criteria of the World Bank in such a way that would make it possible to request their financing at the time of joining the World Bank.

Secondly, it is extremely important that the recommendations proposed by the bank or by the IMF be put into effect as a composite unity and not selectively. Price increases alone will not be successful in restoring stability if they are not accompanied by restrictions on the issuing of money and the granting of credit. Within this context, it is particularly important that a realistic interest rate be restored, as had been the case in Poland until the mid-1970's and is the case in other socialist countries. Every type of savings will transform itself into an inflationary curve if, as is the case now, the rate of inflation amounts to nearly 30 percent while the interest rate for 1 year at the PKO [Polish Savings Bank] is 10 percent and that of savings bonds 15 percent.

[Question] In other words, it is easier to damage the economy than it is to repair it. The latter activity is tied to a great deal of rather unpopular undertakings.

[Answer] Governments are always fearful of taking unpopular steps. Thus, they often explain such moves with the "dictate" of the IMF. This pertains to developing countries and to developed capitalist countries. This was the case in Italy and in Great Britain during the first half of the 1970's while they were drawing "stand-by arrangements" from the IMF. However, I do not know of a country whose economy had been hurt by the full introduction of the stabilizing measures of the IMF and of the World Bank. On the other hand, they cause unfavorable social consequences and violate the interests of various, not always the poorest, social classes. That is why they cause protests.

[Question] How do you envision the possibilities of solving the debt problem of the PRL in a situation of continuing economic restrictions?

[Answer] The considerations on the advantages arising from the possible return to the IMF are purely theoretical because thus far PRL's membership in the IMF and thereby in the World Bank has been blocked for political reasons by Western countries. The accompanying credit difficulties and other economic restrictions greatly complicate the solving of the problem of exorbitant outside debt. The demands made by Western creditors for prompt servicing of debts with the concurrent continuation of economic restrictions are unrealistic. Poland cannot give them more than it has and it has that which it manages to sell to the second payments area [capitalist countries]. With this it also has to pay for indispensable imports. The solution to the debt

problem requires the long-term cooperation of the creditors with Poland. This cooperation should be based on, among other things, the acceptance of PRL into the IMF, on making it easier to import from Poland and on pro-export stimulation of the economy of PRL with foreign credit.

[Interviewer] Thank you for the interview.

9853

CSO: 2600/1055

COAL EXPORT MARKETS SURVEYED

Katowice TRYBUNA ROBOTNICZA in Polish 25 May 84 p 3

[Interview with Jozef Stachon, executive director of Weglokoks, by Jozef Janik; date, place not given]

[Text] Question: Foreigners say Poland has succeeded in expanding its coal exports only because it cut prices tremendously.

Answer: That's nonsense, patent nonsense. We can prove any time that this kind of opinions, which are spread by circles we know are not particularly friendly toward Poland, are pure inventions. In talks with prospective buyers we are uncompromising in demanding prices appropriate for the quality of the coal we offer, and in quality our coal matches American or Australian coal.

These are the facts. Just ask our buyers about this. South African coal is offered at prices much below world prices. But Poland has never even pondered to ask such prices, nor ever will.

Question: Just how good is Polish coal?

Answer: It is very good. Let me point out, and thus confirm the high quality of the commodity [the foreign-trade company] Weglokoks is offering, that last year our buyers in the West paid us extra money worth Zl 2,213 million, and those in socialist countries Zl 1,123 million, only on account of good coal quality. In all, then, quality coal deliveries gave us Zl 3,336 million in extra revenue. We owe this to miners, who select the best grades of coal for foreign buyers. But outstanding coal quality is not the only source of extra profits for us. We also skimmed premiums amounting to a total of 1,301 million dollars for shipping coal from Polish seaports earlier than specified in contracts. We are obliged to stevedores and railroad workers for these ahead-of-schedule shipments.

Question: What is coal's role in Polish exports?

Answer: Obviously, coal is a top export item for Poland. Coal exports have always been profitable, and are so now, by any reckoning method, and regardless of coal price movements on the domestic market. Let me cite an example from 1983. Having sold 35.2 million tons of coal to foreign buyers, we recorded a Zl 40 billion profit for the national economy--this even if you only consider

the difference between the official price we had paid producers and the transaction price, i.e., the foreign currency earnings at official exchange rates of Zl 95 to the dollar and Zl 68 to the rouble. This year, official exchange rates are Zl 110 and 72, respectively. So, if you consider current prices and make adjustments for price movements in the past, you will see that coal exports throughout the post-war period have earned something like \$60 billion for Poland. Can you name a more successful Polish export good than coal?

Besides, if you recall that coal exports to the West accounted for 17 percent of Poland's hard-currency earnings, and 13 percent of Poland's total export revenue last year, you will see more or less coal's top position in Poland's export structure. Also, let me emphatically say coal sales enable Poland to use the hard currency instantly; as soon as any given coal shipment has been loaded on a ship, Poland may use the money for this coal to buy whatever Western goods it needs for the functioning of the crisis-ridden economy.

Question: To finish the topic of prices, tell me the current coal prices in world markets please.

Answer: Fifty dollars a ton, on average. Actual prices depend on a variety of factors, including quality, assortment, and type (boiler coal, coking coal, etc.).

Question: For a second year in a row, in 1983 Poland increased its coal exports. After nearly doubling its coal exports in 1982, last year exports increased again, this time by nearly 7 million tons. This brought export's share in total coal output nearly back to its previous long-standing level of some 20 percent. Just what factors permitted this increase?

Answer: Indeed, for the last 2 years Poland has steadily been recapturing coal markets it lost or nearly lost due to the 1980-1981 coalmining collapse. Last year, coal deliveries to many markets climbed close to levels from before that collapse. We recently conquered new markets, including Albania, India, Algeria and Malta.

Question: If not prices, then what has helped Poland recapture its reputation as a reliable and credible partner who deserves being listened to and done business with?

Answer: Many factors account for this. Progress in economic stabilization, the already-mentioned high quality of Polish coal, punctual deliveries, the fact that we meet all contract obligations have all played a part. Our country's geographic situation was not without significance.

Question: Mutual proportions of deliveries to socialist and capitalist countries have changed, haven't they?

Answer: They have. In the latter 1970's, when Polish coal exports stabilized at some 40 million tons, 63-65 percent of it went to the West and 35-37 percent to socialist countries. Recently, a roughly fifty-fifty proportion has established

itself. Last year, the relative increase in coal exports to socialist countries was mainly due to deals with two partners, the Soviet Union and Romania, which jointly increased Polish coal imports by more than 3.8 million tons. Thereby the Soviet Union strengthened its top position among Polish coal buyers. Romania pushed Czechoslovakia to rank three among socialist countries. But East Germany, which had bought much Polish coal, last year cut its purchases almost by one half. As for capitalist countries, non-European countries increased their relative shares in Polish coal exports, while EEC countries decreased theirs (this despite the net increase in absolute terms by 1.8 million tons, or 20 percent, over the 1982 level). France, Italy, Finland, Brazil, West Germany and Denmark led the list of Western buyers of Polish coal in 1983.

Question: When Poland started exporting coal in 1945 it sold a total of 5.6 million tons then.

Answer: ...to record an all-time high in 1979 with 41 million tons, and to fall off in subsequent years due to perturbations in the operation of seaports and mines. But already in 1982 coal exports partly recovered. Poland sold 28.5 million tons, or nearly twice the amount it managed to market abroad in 1981. In 1983, exports exceeded 35 million tons. This accomplishment is especially remarkable considering the coal glut in world markets at the time.

Question: What is Poland's rank as coal exporter in the world?

Answer: In the post-war period, Poland became the first coal exporter in Europe and the runner-up (behind the United States) in world exports. We kept this leading position till 1979; in 1978, when U.S. coal exports fell, Poland even topped the list of world coal exporters. In the post-war period, Poland sold coal to buyers in 62 countries in four continents. In Europe, for example, you will find not a single country which would not have bought Polish coal at one time or another. Among socialist countries, the biggest "millionaires" are the Soviet Union (284 million tons), Czechoslovakia (85), and East Germany (78). Among Western countries, Finland with its 77 million tons of Polish coal purchases ranks highest. It is followed by Denmark (76), France (62), Italy (60), Austria (43), and West Germany (37). At first, coal was used mainly as fuel and in transportation. Later, especially in the West, coal gained in importance for buyers such as power works, cement or coking plants. Some 51 percent of the total of 1 billion tons of coal Poland exported in the post-war period was supplied to buyers overland, the remaining amount was shipped by sea.

Question: What is the coal market situation now?

Answer: After the longest and deepest recession in the last 30 years, 1983 brought a certain recovery in most industrial countries. Such a recovery had been forecast, but its rate proved to differ from region to region and from country to country. Still, the situation continues to be difficult this year. Exporters have to operate in buyer's markets, to face tough price competition and a continuing coal glut which affects both export volumes and prices. So, there is little ground for optimism for the nearest future. But long-term forecasts provide for considerable rises in demand for coal, and this has made chief coal suppliers--the United States, Australia, the Republic of South Africa--step up their production activity.

Question: So, what are Poland's prospects in world coal markets?

Answer: Research institutions drawing up energy forecasts, including the Coal Committee of the Geneva-based UN Economic Commission for Europe, are inclined to believe in the 1990-2000 decade Poland will be exporting something like 50 million tons of coal yearly. Is this possible under present conditions? At current investment rates, it's certainly not. Still, there is a chance for Poland, if we stop flaunting big words about economizing coal consumption and start doing this at long last. Examples of dismal waste of this raw material are many. Let me cite just one scandalous example. As much as 30 million tons of coal, including coal grants to miners, are used for heating in Poland today, but only 10-25 percent of the energy this coal carries is being utilized. This is of course a separate problem, but it bears heavily on the future of Polish coal exports.

CSO: 2600/1072

PROGRAM FOR INCREASING PRODUCTIVITY, IMPROVING WORK NORMS

Bucharest BULETINUL OFICIAL in Romanian Part I No 25, 26 Mar 84 pp 1-12

Decision of the Grand National Assembly Referring to the Program Regarding the More Marked Growth of Labor Productivity and the Improvement of Labor Organization and Norm-Setting in the 1983-1985 Period and up to 1990

Text The Grand National Assembly of the Socialist Republic of Romania, analyzing and debating the Program Regarding the More Marked Growth of Labor Productivity and the Improvement of Labor Organization and Norm-Setting in the 1983-1985 Period and up to 1990, drawn up on the basis of the decisions of the 12th congress and the national conference of the party and the orientations and instructions of Comrade Nicolae Ceausescu, the secretary general of the Romanian Communist Party and chairman of the Socialist Republic of Romania, judges that the development of all economic activity and the raising of it to a higher level, the growth of national income and, on this basis, the continual growth of the material and spiritual well-being of the whole populace, the supreme goal of the policy of our party and state, will be secured by attaining the objectives that it contains.

Starting from the special significance that the more marked growth of labor productivity and the improvement of labor organization and norm-setting have in the current stage of building the multilaterally developed socialist society in Romania, the Grand National Assembly of the Socialist Republic of Romania decides:

1. The Program Regarding the More Marked Growth of Labor Productivity and the Improvement of Labor Organization and Norm-Setting in the 1983-1985 Period and up to 1990 is approved.

2. The socialist units and all working people, in their capacity of owners, producers and beneficiaries, must act decisively and responsibly to achieve in the best way the tasks and measures contained in the program.

The economic ministries and the other central and local bodies are directly responsible for providing all the conditions needed for the complete fulfillment of the tasks that devolve upon the subordinate units, exercising strict control over the manner of attaining the objectives set in their fields of activity.

3. The Council of Ministers is responsible for the firm application of the provisions of the program in all fields of activity and will continually see that the introduction and expansion of technical progress, the improvement of the organization of production and labor, the raising of the qualifications and the level of professional training of all categories of working people, the continual improvement of the activity of labor-norm setting and, on this basis, the more marked growth of labor productivity are secured in all economic units.

4. The specialized standing committees of the Grand National Assembly will oversee and report periodically to the State Council about the way in which the government, the ministries, the other central and local bodies and the socialist units act to fulfill the provisions of the Program Regarding the More Marked Growth of Labor Productivity and the Improvement of Labor Organization and Norm-Setting in the 1983-1985 Period and up to 1990.

This decision was adopted by the Grand National Assembly in the session of 24 March 1984.

Chairman
of the Grand National Assembly,
Nicolae Giosan

Bucharest, 24 March 1984.
No 1.

Program

Regarding the More Marked Growth of Labor Productivity and the Improvement of Labor Organization and Norm-Setting in the 1983-1985 Period and up to 1990

In the years of socialist construction, Romania has undergone strong economic and social development, has been turned into an industrial-agrarian country with strong and modern industry, with advanced socialist agriculture. On the basis of the development of the production forces, national income has risen, there being provided the conditions needed for further developing the economy and increasing the material and spiritual well-being of the whole populace, the supreme goal of the party's policy, the essence of the multilaterally developed socialist society that we are building in Romania.

Along with the profound changes that have occurred in the development of the production forces, in the modernization of the material base of the economy, especially in the stage inaugurated by the Ninth Congress of the Romanian Communist Party, the system of production relations has been perfected, the organization and management of society have been improved, workplaces have been provided for the entire population fit for work.

The economic and social development of the country at a steady rate in this period is directly connected with the vast theoretical and practical activity performed by Comrade Nicolae Ceausescu, the secretary general of the party and chairman of socialist Romania, who devised an original strategy of economic construction, establishing at the same time the concrete ways of action for achieving the multilaterally developed socialist society in Romania, for

creating a modern economy, characterized by high economic and social vitality. At the same time, the system of working-class democracy has been expanded, the direct participation of the masses in managing the economy and social life has been provided, and the responsibility of each staff of working people, the general assemblies, the working people's councils and the management councils in establishing and fulfilling the plan and sensibly and efficiently administering the assets entrusted by society has grown.

The successes obtained are the direct result of the whole populace's labor and the unswerving trust with which the working people follow the party's policy of forging the multilaterally developed socialist society in Romania. Within the entire development of our society, in the current stage, the problems of increasing the material production and labor productivity and reducing the production costs, the raising of the degree of utilization of raw materials, supplies, fuel and energy and the raising of the efficiency in all fields of activity are decisive aspects for carrying out the party's program for forging the multilaterally developed socialist society and advancing Romania toward communism.

The results obtained, especially in the last 18 years, indicate the correctness of the party's policy of faster growth in social labor productivity, as a priority resource for developing and modernizing the whole economy. In the 1965-1980 period, the social labor productivity rose at an average annual rate of 8.5 percent; in the same period, the labor productivity in industry and construction-assembly rose about 2.7-fold.

The steady rates of growth of labor productivity had as a basis a vast investment program devoted to developing and modernizing the technical-material base. The volume of productive fixed assets in the economy was 2.8 times higher in 1975 and 4.5 times higher in 1980 than in 1965, with the technical equipping of labor being 2.4 times higher in this period; 60 percent of the total fixed assets existing at the end of the 5-year period have an age of less than 10 years.

For carrying out the national party conference's decisions referring to the importance of the more marked growth of labor productivity within the set of measures for developing the economy, it is necessary to draw up a far-reaching program through which the stipulated objective of doubling the labor productivity in a few years and, as a result, the attainment, in a short time, of the productivity levels that are achieved in the developed countries in Europe may be secured.

This objective, as Comrade Nicolae Ceausescu, the secretary general of the party, stated, can be attained through the continual modernization of the manufacturing technologies, the mechanization and automation of the production processes and the introduction of modern methods of management, the as full use as possible of the production capacities and the work force, and the improvement of the technical assistance on all work shifts, providing a strict correlation between the technical level of equipping and the efficiency index achieved.

In the target for more marked growth in labor productivity, it is also necessary to take into account the additional resources that are created through the

intensification of the actions in the field of scientific research and technological development, resulting from the programs for scientific research, technological development, and introduction of technical progress and the mechanization and automation of the production processes, prepared under the guidance of Comrade Acad Dr Engr Elena Ceausescu by the National Council for Science and Technology, together with the ministries and other central bodies, with the wide participation of the industrial centrals and the specialists in the enterprises and in the research and design units.

In the activity that will be performed in all economic units in order to more markedly raise labor productivity, it is necessary to act with greater firmness so that each working person may participate in this action in an organized manner and with complete responsibility and so that the spirit of order and discipline may be strengthened, in such a way that the whole staff of the respective crew, sector or section may act to completely fulfill the plan targets under conditions of higher quality and to eliminate the shortcomings that still exist.

I. On the Basis of the Decisions of the National Conference of the Romanian Communist Party in December 1982 and the Orientations and Instructions of Comrade Nicolae Ceausescu, Secretary General of the Party, in the Program for More Marked Growth in Labor Productivity the Following Main Objectives Are Set:

1. In 1990, in national industry, the achievement of a labor productivity over 2 times higher than that in 1980, as compared with the 1.9 times stipulated in the directives of the 12th party congress.

The more marked growth of labor productivity in national industry, provided in the program, will be achieved in stages, as follows:

a) In the 1983-1985 period, the rates of growth of labor productivity will be increased, so that a rise of 41 percent in comparison with 1980, higher than the rise provided in the 5-year plan, may be achieved in 1985; in the processing industry, the labor productivity will rise 45.4 percent in comparison with 1980. In this period of time, action will be taken regarding the wide promotion of technical progress, through the priority development of the industrial branches that provide a higher degree of processing and utilization of material resources, the introduction of new technologies and the modernization of existing ones, the raising of the degree of mechanization and automation of the production processes, the introduction of new products, with low consumptions of manual labor and high technical performances, into manufacture, the raising of the technical and qualitative level of production, the improvement of the organization of production and labor, and the raising of the professional training of all worker personnel.

b) In the 1986-1987 period, through the generalization of the measures for technical progress and for organization of production and labor in 1983-1985, the labor productivity in industry will be 1.7 times higher than that achieved in 1980; in the processing industry, the labor productivity will be 1.75 times higher than that achieved in 1980. To this end, it is intended that the process of mechanizing the heavy and labor-intensive operations, of introducing

modern manufacturing technologies into the specialized units and of modernizing the machines, equipment and installations will be expanded up to 1987.

c) In the 1988-1990 period, through a set of measures for improving the technological flows and optimally organizing the workplaces, machines, equipment and installations, the labor productivity in industry will have to reach about 680,000 lei per person in 1990 and will represent a more than 2-fold rise in comparison with 1980. In the processing industry, the labor productivity will be over 700,000 lei per person. As a result of the targets provided in the program, the labor productivity in national industry will be at the level that is achieved in the developed countries in Europe, thus securing the attainment of the objective set by the 12th party congress and the national conference in December 1982.

d) The program's provisions up to 1985 and 1990 must be considered minimums. Each year, it will be necessary to act to find new ways and possibilities of improving the activity of stronger and stronger growth in labor productivity, so that the final objective of catching and passing some developed countries may be attained before 1990.

2. The physical labor productivity will rise continually due to the reduction, under conditions of maximum efficiency, in the consumption of manual labor for making all products. To this end, physical productivities for products or groups of products, expressed by rates of labor consumption per product, and production quotas for machines, equipment and installations will be set by means of the plan.

3. The stipulated growth in labor productivity will be substantiated on the basis of programs of measures drawn up according to ministries and, at the level of the counties, through programs for the whole county. In these programs, concrete measures, in which a special accent will be put on the expansion and generalization of mechanization, the automation of production, the improvement of the manufacturing technologies, the supplying of highly productive machines, equipment and installations and the modernization of existing ones, will be established for each stage; action will be taken to completely fulfill the targets contained in the scientific-research and technological-development plans and in the programs for quality in production and for assimilation of new and modernized products. In each enterprise, special attention will be devoted to achieving means of mechanization through self-equipping for the activities of plant transportation, handling and storage of raw materials, supplies and fuel.

Concrete measures will be provided in the field of improving the organization of management, production and labor, improving the labor norms and continually raising the professional training of all worker personnel.

Action will be taken regarding strict compliance with the principle of faster growth in labor productivity than in the average pay of the worker personnel, as an objective requirement in carrying out the process of generally developing the national economy, for continually increasing the well-being of the working people.

4. The supplying of machines and equipment to the enterprises will be done according to the way in which the index of use of the existing machines is attained; the supplying of new ones will be done only on the basis of securing the use of the existing means and capacities to the utmost. The economic effects referring to output, quality, consumption of manual labor and consumptions of raw materials, supplies, fuel and energy will be established for each new machine or piece of equipment. The manner of use of the fixed assets, the output and the profits achieved per 1,000 lei of fixed assets will continually be watched in each enterprise.

5. Action will be taken to raise the level of qualification and scientific and technical professional training of all worker personnel, in direct correlation with the degree of equipping of our industry, the exigencies imposed by the scientific and technical revolution and the quality requirements in all economic activity.

The retraining of all worker personnel, through all the forms of retraining and improvement provided by law, will be concluded by 1985. In the 1986-1987 period, a new stage of improvement in professional training will be carried out, with the accent being put on the acquisition of the knowledge needed for running the modern machines, equipment and installations in the possession of the units, direct participation in improving the manufacturing technologies, and the assimilation and application of the measures for rational organization of production and labor. After 1987, on the basis of the qualitatively higher targets provided in the program, all worker personnel, within the retraining programs, will acquire the theoretical and practical knowledge suitable for wielding the means on hand.

6. The attainment of the targets for more marked growth in labor productivity and the substantial reduction of production expenses by all economic units will constitute the main ways to increase national income and to raise in the future the pay for all worker personnel.

In order to fulfill the provisions in the program, measures will be proposed for providing a better organizational framework, which would systematically pursue the problems connected with improving the setting of labor norms and the way in which the growth of labor productivity to the stipulated levels is achieved.

The attainment of the targets for growth in labor productivity, set by the 12th Congress and the National Conference of the Romanian Communist Party in December 1982, must always be in the attention of the party bodies and organizations in the economic units; they must concern themselves with providing the best conditions for carrying out production, must be in the center of the production activity and must thoroughly master all the factors of the economic mechanism, with a view to involving the staffs of working people in solving the problems regarding the fulfillment of the plan and the raising of the efficiency of all economic and social activity.

II. The Targets for Growth in Labor Productivity According to the Main Branches of the Economy

1. In national industry, in 1985 and in the 1986-1990 period, the labor productivity will have the following evolution:

<u>Year</u>	<u>In the Processing Industry (growth in % compared with 1980)</u>	<u>In National Industry as a Whole (growth in % compared with 1980)</u>
1985	145.4	141.0
1987	175.0	168.0
1990	225.0	213.1

According to the main ministries, the labor productivity in the processing industry will rise as follows:

<u>Ministry</u>	<u>1985/1980 (%)</u>	<u>1987/1980 (%)</u>	<u>1990/1980 (%)</u>
Ministry of the Metallurgical Industry	152.6	184.0	234.0
Ministry of the Machine-Building Industry	156.8	192.0	248.0
Ministry of the Machine-Tool, Electrical- Engineering and Electronics Industry	150.0	188.0	230.0
Ministry of the Chemical Industry	147.2	184.0	234.0
Ministry of Wood Industrialization and Construction Materials	134.4	157.0	236.0
Ministry of Light Industry	132.5	163.0	209.0
Ministry of Agriculture and the Food Industry	146.9	175.0	225.0

In the ministries in the extractive and power industries, taking into account the significant changes that occur in the structure of the coal and ore deposits, in the output of the oil and gas wells and in the growth of the percentage of electric-power stations using solid fuel and with low installed powers, action will be taken, in particular, to more markedly raise the labor productivities for each product.

2. In construction-assembly, the labor productivity in 1985 will be 45.2 percent higher than in 1980; in the 1986-1990 period, the rate of growth of labor productivity will be increased greatly, so that the labor productivity will be 1.75 times higher in 1987 than in 1980 and 2.0 times higher in 1990 than in 1980.

3. In the state agricultural enterprises, the labor productivity in 1985 will be 63.1 percent higher than in 1980. On the basis of the measures provided, the labor productivity will be 1.7 times higher in 1987 than in 1980 and 2.2 times higher in 1990 than in 1980.

4. In railroad and automotive transportation, the labor productivity calculated on the basis of the gross incomes that are obtained from the transportation activity performed for the cooperative and state socialist organizations and for the population will rise in this period as follows:

<u>Type of Transportation</u>	<u>1985 Compared with 1980 (%)</u>	<u>1987 Compared with 1980 (%)</u>	<u>1990 Compared with 1980 (%)</u>
Automotive transportation	125.0	150.0	170.0
Railroad transportation	115.5	130.0	150.0

In railroad transportation, it is intended that the growth in the volume of transportation will be achieved wholly through growth in labor productivity. In automotive transportation, as a result of the measures established for reducing the fleet of machines, the volume of transportation will be achieved with a lower number of personnel, securing rational utilization of them and a corresponding rise in the physical labor productivity.

5. In order to secure the stipulated increases in labor productivity in industry, physical productivities expressed by the consumption of manual labor for a product or groups of products have been set in the program, so that, in 1985, about 87 percent and, beginning in 1987, all of the planned commodity output may be substantiated on the basis of physical productivities.

In addition, physical productivities have been set in construction-assembly, according to categories of work, in railroad and automotive transportation, and in state agriculture for the main agricultural products (wheat, rye, corn, meat, milk and so on).

III. Ways and Factors of Growth in Labor Productivity

The stipulated growth in labor productivity will be obtained on the basis of special programs drawn up according to enterprises, centrals and each ministry, in which concrete measures are established for action regarding the introduction and expansion of technical progress, the improvement of the organization of production and labor, and the raising of the level of qualification of the personnel. The proportion in which the growth in labor productivity will be secured according to each of the above-mentioned factors is the following:

<u>Category</u>	<u>1985 Compared with 1980 (% of total)</u>	<u>1987 Compared with 1985 (% of total)</u>	<u>1990 Compared with 1985 (% of total)</u>
Total,	100.0	100.0	100.0
including through:			
The introduction and generalization of technical progress	52.0	53.5	55.0
The improvement of the organization of production and labor, the raising of qualifications and the improvement of professional training	48.0	46.5	45.0

A. The Measures for Introduction and Expansion of Technical Progress

1. The introduction of complex automatic machines and lines. The more marked growth of labor productivity in the 1984-1990 period has as a basis the introduction of complex automatic machines and lines.

The introduction of means of automation, including manipulators, microprocessors and industrial robots, will be done on the basis of thorough technical and economic analyses, by means of which high economic efficiency will be provided, in accordance with the targets for growth in labor productivity and product quality and for reduction of the consumption of raw materials and supplies. To this end, the program's provisions, both for domestic needs and for exportation, will be updated annually and included in the sole national plans for economic and social development.

Action will be taken to speed up the introduction and expansion of the automation of the production processes in foundries, forges and heat treatments, in metallurgy, chemistry, machine tools, technological equipment, machines and equipment for construction, means and systems of transportation and light industry, and in other branches of industry and the economy; there will be a shift toward introducing into manufacture the products with high technical performances, competitive on a world level, that provide an increase in the efficiency of exportation and a rise in labor productivity in all sectors of activity.

Firm measures for attaining the technical, qualitative and economic parameters approved in the technical documentation, at all the existing production capacities and at the ones that will be put into operation up to 1985, will be provided in all industrial units.

Firm measures for applying new and modernized technologies, machines, installations and equipment, with performances at a high world level, and introducing automatic lines into the basic operations of the production processes are provided in all branches of industry.

In the 1986-1990 period, the processes of technical and technological modernization will be accented; practically all the technologies will be at a high world level; the achievement and introduction of industrial robots under conditions of economic efficiency at the workplaces with difficult working conditions and a high degree of danger, in which operations of welding, dyecasting, galvanization, painting and so on are performed, will be pursued.

In the metallurgical industry, the degree of automation of the ferrous-metallurgical processes will rise due to modern means of management with high efficiency; the production lines will be equipped with installations and means for active control of the products, in all phases of manufacturing, so as to provide automatic regulation of the technological parameters.

In the machine-building industry, the measures have in view: the promotion of new and modernized technologies and the supplying of high-performance machines and equipment; the growth of the percentage of machines, equipment and

installations based on a unitary constructive and functional conception; the making of automatic machine tools with numerical controls, specialized machine tools with a high degree of automation, and complete automatic lines for processing, assembly and casting that provide for the growth of the competitiveness of the products, the modernization of the manufacturing technologies, and the substantial growth of labor productivity in the economy.

In the chemical, light, wood-processing and construction-materials industries, a special accent will be put on the utilization of machines and equipment with high technical parameters that provide for the higher processing of raw materials, the substantial growth of labor productivity and the marked reduction of the consumption of fuel and electric power.

2. Within the measures for technical progress established at the level of the ministries, centrals and industrial enterprises, the growth of the degree of mechanization and automation of the production processes and the introduction and modernization of the manufacturing technologies are provided, as follows:

In the Mining Extractive Industry

Up to 1985, the degree of mechanization of the production processes will rise substantially in the opening and preparatory work underground, in the material-loading operations in the heading work at the ore mines and in coal extraction. The mining industry will be supplied with new, highly productive machines and equipment. New technologies for the exploitation of thick beds of bituminous coal and completely mechanized technologies for coal extraction at faces and in quarries, for the preparation of nonferrous and nonmetalliferous ores and for the mine-opening work will be introduced.

In the 1986-1987 period, the mechanization of the operations in the opening and preparatory work and in the extraction of coal and ore underground and on the surface will be concluded.

In the 1988-1990 period, the complete mechanization of mine galleries will be achieved; the introduction of the mechanization of the main operations underground and in quarries and of those of preparation and extraction of ore will be expanded.

In the Petroleum and Gas Extractive Industry

According to the targets in the program with regard to utilizing better and developing the base of mineral raw materials and primary energy, the drilling of a large number of new exploratory wells for production, the better organization of the drilling activity and the putting of very deep wells into production, the application of new processes and methods of crude-oil recovery, especially the thermal methods that lead to a higher final recovery factor, and the expansion of the closed system of crude-oil collection and separation on farms, in order to reduce the losses due to evaporation of light fractions, will be provided up to 1985.

In the 1986-1987 period, the technologies will be perfected by improving the production capacity of the wells, optimizing the working technologies at the

very deep wells and expanding the drilling under pressure at the wells beyond 2,000 meters; in addition, technologies for exploiting with mining methods the crude oil in oil sand will be applied and the number of geological and technological operations for increasing the flow of crude oil into the wells will rise.

In the 1988-1990 period, the accent will be put further on working out modern technologies and methods for intensively exploiting all reserves of useful substances under conditions of maximum economic efficiency. To this end, the development of the work of drilling and extraction of hydrocarbons at great depths and the utilization of the reserves of combustible shale located in difficult deposit conditions, including through gasification procedures, will be pursued; the collection and utilization of the gases resulting from emanations existing on the surface will be provided.

In the Metallurgical Industry

In the 1983-1985 period, 109 new and modernized technologies will be applied; the coefficient of extraction of rolled steel from a ton of steel will rise; the operations of plant transportation, of apportionment of raw materials, and of loading of electric steel furnaces and the operations of nondestructive and ultrasonic control at the drill rods will be mechanized; the operations of electrode and nipple manipulation in the transportation and processing areas will be mechanized; the main operations at blast furnaces for obtaining pig iron and loading scrap iron at all steel mills with converters will be automated; the modern technologies for the production of blast-furnace coke, low-carbon steel and thick, high-strength, heat-treated sheets will be expanded; the technology for making big-diameter, hot-rolled seamless pipe and thin sheets of aluminum alloys will be introduced; the technologies for rolling sections, sheets and pipe will be improved, with a view to making them to negative tolerances.

In the 1986-1987 period, the mechanization measures and the technologies applied in the 1983-1985 period will be generalized at all the metallurgical units; there will be a steady shift toward the introduction of domestically produced apparatus and the standardization of all apparatus for supervision and management of production; the devising of new technologies for obtaining metallurgical products with an advanced degree of processing, the aim being to raise the percentage of heat-treated rolled and extruded steel, flat products and sections with better properties from steel and nonferrous metals and alloys, precision pipe used at extreme temperatures and high pressures, and material for deep drilling, including in corrosive media, technologies for manufacturing refractories with a high degree of heat resistance, new types of light and ultralight refractory products, special magnesiochromite and chromomagnesite refractories for high-capacity electric furnaces, heat-insulating powders with a low volume weight and so on will be intensified.

In the 1988-1990 period, new and modernized products from high-alloy steel, nonferrous metal and special alloys with nickel, titanium, zirconium, tungsten and so on will be introduced, in accordance with the needs of modern industry, especially the aerospace industry, nuclear power generation, electrical

engineering and electronics. At the end of 1990, the consumption of coke, energy and fuel and the coefficient of extraction of rolled steel from a ton of steel will reach the level of the best achievements on a world level.

In the Machine-Building, Electrical-Engineering and Electronics Industry

In the 1983-1985 period, 440 new and modernized technologies will be applied to production.

In the hot sectors, the preparation, molding and knockout operations and the transportation of molds in iron and steel foundries will be mechanized; the mechanization of the operations of cleaning parts cast from pig iron will be expanded and overall mechanization will be introduced into dyecasting; the casting of parts from ferritic pig iron with nodular graphite, obtained without heat treatment, will be introduced; the technology for preparing stainless steel in induction furnaces, molding based on furan resins, the casting of parts in vacuum molds, and ultrasonic washing of the alkaline solution will be introduced; technologies for automatic and semiautomatic welding under a coat of flux and in media of protective gases will be introduced. Group technologies for the centralized cutting of rolled steel and the rational cutting of sheets, new technologies for making and assembling the sections, block sections, installations and sets in the engine room, through modularization, at the shipyards, and modern technologies for reconditioning used parts, making new parts and processing parts on sets of machines and others will be introduced.

In the 1986-1987 period, the measures for mechanizing the operations in the hot sectors and in the activities of transportation, handling and storage will be expanded to all units in the machine-building branch and the new and modernized technologies applied in the 1983-1985 period will be generalized.

In the 1988-1990 period, high-performance equipment required for export production and for coverage of the economy's needs will be achieved, with progressive integration of precision engineering and of electronics into the structure of the machines. Conventional automatic systems for the lines for molding and casting, forging cells, surface-treatment processing and assembly and the mechanization of the knockout and cleaning of castings and of the assembly will be achieved; automated electrically driven equipment of high productivity, servo-mechanisms for nuclear-electric power stations, and systems for automatic feeding of machine tools and for manipulation on conveyors will be achieved.

In the Chemical and Petrochemical Industry

In the 1983-1985 period, 850 highly productive technologies with minimal consumptions of raw materials and energy will be applied. The technologies for obtaining styrene copolymers and the obtaining of new polymers with better qualities will be perfected; the technologies for obtaining nitro lacquers and new types of resins for lacquers and paints, processed products from polyesters with glass fiber, and paints based on acrylic emulsions will be perfected; the technologies in the sectors of plastic processing and tires, the production of drugs, lacquers and paints, chemical fertilizer and inorganic products, and in

the aluminum and nonferrous-metal industry will be perfected. In addition, the modern means of transportation with silo-type railroad cars and railroad cars with gravitational unloading for chemical fertilizer and sodium products will be expanded, along with the transportation of solid products in the form of powders or granules in a pneumatic system and the raising of the percentage of liquid chemical fertilizer.

In the 1986-1987 period, further action will be taken to better utilize crude oil, methane gas and various salts and ores, by generalizing in all units the technologies applied in the 1983-1985 period, there being further achieved highly productive and efficient technologies with minimal consumptions of raw materials and energy. Thus, new technologies for the pyrolysis of heavy petroleum distillates, for the optimal utilization of ethylene and propylene and for the obtaining of methanol from residual gases and of basic oils with improved characteristics from domestic crude oil will be devised.

In the 1988-1990 period, the process of mechanization and automation in the chemical industry will be expanded, in order to raise the outputs and the quality of production and to raise the degree of utilization in the rubber- and plastic-processing industry, the manufacture of tires and drugs, the packaging of chemical fertilizer and the manufacture of inorganic products for obtaining ammonia through synthesis at low pressures, for purifying carbon dioxide with physical agents and so on.

In Wood Exploitation and Processing

In the 1983-1985 period, 370 new and improved technologies will be applied, pursuing the raising of the degree of higher utilization of timber, the chemicalization of wood and the modernization of the exploitation and transportation technologies; the processing in wood-sorting and -preindustrialization centers, the redesigning of furniture on the basis of boards and lumber with small thicknesses and of accessories, the diversification of the production of boards from wood chips and the replacement of wood veneer with plastic sheets applied with mechanized and automated technologies will be expanded.

In the 1986-1987 period, the technologies applied in 1983-1985 and the measures for mechanizing the heavy and labor-intensive operations will be generalized at all the units; in the 1986-1990 period, action will be taken with priority to continually raise the degree of utilization of wood, with a view to meeting the growing needs of the economy. New and modernized products with improved characteristics and higher economic efficiency, new assortments of plywood with characteristics specific to the field of use, corrosion-resistant boards from wood chips and fibers, paper and cardboard, and new types of furniture will be introduced in this period.

In the 1988-1990 period, new means of mechanization of the production processes will be introduced into operations of wood sorting and processing, of gluing and pressing at the plywood factories and so on; in addition, new, improved technologies will be devised for making furniture from veneered panels through folding and gluing, for converting round timber and for collecting wood on land with a big slope, through the use of highly productive and efficient installations.

In the Construction-Materials Industry

In the 1983-1985 period, action will be taken mainly in the direction of improving the manufacturing technologies, by substantially increasing the production of blocks with light aggregates and by expanding the fields of use of pressure tubes of prestressed concrete; the loading and transportation operations will be mechanized; technologies that provide for the reduction of material consumptions, especially energy and fuel, will be applied.

In the 1986-1987 period, the mechanization measures will be generalized at all the construction-materials units; further action will be taken to modernize the manufacturing technologies in the production of prefabs from reinforced concrete, sanitary ceramics and heat- and water-insulating masonry materials; construction materials and elements with a high degree of equipping and finishing will be assimilated.

In the 1988-1990 period, means of mechanization and automation will be introduced into cement production, the installations at the paper, cardboard and sanitary-ware factories will be improved and modernized further, and so on.

In Light Industry

In the 1983-1985 period, 500 new and modernized technologies will be applied; the manual operations in various phases of manufacturing will be mechanized, by expanding the special devices on the clothing machines; the degree of mechanization and automation of the technological processes will rise due to the use of automatic weaving machines and automatic installations for preparing the mixture of granulated raw materials for heat-resistant glass through self-equipping; the equipment with an advanced degree of technical wear will be replaced with modern, highly productive equipment; action will be taken to improve the manufacturing technologies in the finishing of cotton-type fabrics and the methods of execution for garments, as well as dyeing with reactive dyes; reusable materials will be utilized to a greater extent in products with improved qualities, through the unification and standardization of the components and subassemblies.

In the 1986-1987 period, the mechanization measures and the new and improved technologies from the 1983-1985 period will be generalized at all the units; measures for the higher processing and utilization, with maximum efficiency, of raw materials and recoverable and reusable materials, for the raising of product quality and for the growth of economic efficiency will be applied further.

In the 1988-1990 period, automatic lines will be introduced into the unraveling, cleaning and carding operations; some intermediate and final phases of the garment-weaving operations will be automated; the systems for automating the weaving machines will be modernized by transforming the conventional weaving machines into weaving machines without shuttles, by raising the woof-insertion speed, by devising new, unconventional weaving techniques and by conducting the control and by automatically regulating the weaving process.

In Construction-Assembly

In the 1983-1985 period, the raising of the degree of prefabrication of construction elements, the standardization of construction, and the introduction of new construction materials and elements will be provided from the design phase. The degree of industrialization of construction will rise, so that the percentage of prefabs may reach about 30 percent in 1985; the main construction work will be mechanized to a degree of over 96 percent in earthwork, 95 percent in concrete work, 75 percent in painting and 80 percent in whitewashing. To this end, the construction sites will use with maximum efficiency the highly productive equipment--excavators, scrapers and self-propelled scrapers, bulldozers, bucket loaders, tower cranes, self-propelled traveling cranes, concrete plants, canal-digging and -making installations and so on.

In the 1986-1987 period, the degree of industrialization of construction will rise further, to about 50 percent; the measures for mechanizing the main work for doing earthwork, plastering and metallic construction, transportation of aggregates and so on will be applied on all the sites; new construction technologies will be introduced on the sites, and new materials with better characteristics and parameters will be used, with special attention being devoted to light materials.

In the 1988-1990 period, the process of industrialization of construction will be concluded, generally speaking, by completely prefabricating the big-series elements in plants and by mechanizing the work processes on the construction sites. The main construction materials will be used in modern variants that provide a substantial reduction of the material and manual-labor consumptions, through the high possibilities of industrializing them.

In Agriculture

In the 1983-1985 period, on the basis of the programs drawn up, steps will be taken to completely use the soil and raise its production potential, to increase the average yields per hectare, to raise the birth rate, to lower the death rate and to achieve the planned weights on slaughtering the animals. The promotion of high-yield plant varieties and hybrids and of more productive breeds of animals in the socialist agricultural units will be pursued. On the basis of the introduction of the new system of machines, according to crops, the use of complex sets and the supplying of improved and diversified agricultural equipment, machines and tractors will be expanded.

In the 1986-1987 period, the expansion of mechanization in all agricultural sectors will be continued, by diversifying the agricultural machines and tractors for growing vegetables, fruit, vines and rice. The work with a big volume of manual labor on natural pastures and meadows and the shifting of the installations for sprinkling and for harvesting vegetables and hay will be mechanized. In zootechny, the feed-preparation operations will be mechanized to a greater degree, mechanical milking will be expanded, and so on.

In the 1988-1990 period, the measures for mechanizing the agricultural operations in the vegetable sector and in zootechny will be expanded in the state

and cooperative agricultural units. Agriculture will be equipped further with highly productive machines, in a wide range, corresponding to the structure of production and the different zones of the country.

In Railroad Transportation

In the 1983-1985 period, by developing, modernizing and raising the efficiency of the transportation fleet, the indices of utilization of the means on hand will be improved; the freight-car turnaround, the average daily run of the locomotives and cars, the gross tonnage per freight train and the average speed of the freight trains will be improved.

In the 1986-1987 period, mechanized loading and unloading installations will be used, along with raising the volume of goods transported with modern technologies of transportation--palletization, packaging and containerization. In this period and especially in the next period, the use of the Danube-Black Sea Canal and the Midia-Navodari Canal will be of great importance for increasing the volume and efficiency of transportation. In the 1988-1990 period, the measures for combined transportation and the use, with maximum efficiency, of the various types of transportation will be generalized.

Similar steps are expected to be taken in all branches of the national economy, for efficiently using the production capacities and the work force and for utilizing the fixed assets with higher outputs. The supplying of new machines, equipment and installations to the enterprises will be done on the basis of uniform standards according to branches, subbranches and groups of machines and equipment, by means of which levels of economic efficiency expressed by the physical output per unit of worktime, the level of the expenses for making the products, their profitability and so on are set; at the same time, these standards must lead to the introduction into manufacture of machines, equipment and installations whose technical and economic performances are at the level of the highest outputs obtained in the country and abroad.

B. The Measures for Improving the Organization of Production and Labor

The measures for improving the organization of production and labor will help to raise labor productivity by a big percentage, over 38 percent of the savings of labor in industry as a whole.

For achieving these targets, in the programs of measures for the 1983-1985 period there are provided a series of actions referring to:

- a) The efficient use of the production capacities by all units by optimizing the production flows and sensibly placing the sections, shops, equipment, workplaces and storage spaces, depending on the type and character of production, so as to obtain maximum levels of production and labor productivity;
- b) The intensive utilization of all the existing machines, equipment and installations by operating them at the level of the designed technical and economic parameters and the coefficients of utilization stipulated in the plan;

c) The steady achievement of production, there being drawn up for each unit work timetables that provide for the obtaining of the scheduled production in a balanced manner according to 10-day periods, through the utilization of the production capacities at a steady rate;

d) The providing of a suitable ratio between productive labor and administrative labor, so as to achieve a continual increase in the personnel who work directly in production; steps will be taken, through modern methods and techniques, to provide greater effectiveness in the management of production, the simplification of the information system and, on this basis, better use of the personnel now engaged in the activities of recordkeeping, accounting, supply, personnel and so on;

e) The expansion of work on many machines, to which end studies and designs will be drawn up for repositioning the equipment and reorganizing the production flows and the workplaces in order to create the conditions needed for the expansion of work on many machines. In order to achieve a rational and balanced degree of employment for all personnel, the units have the obligation to provide the conditions needed so that the workers can perform their activity in accordance with the qualification or polyqualification that they have, tending the assigned number of machines or pieces of equipment;

f) The improvement in organization will have in view the formation of complex brigades in all economic units, depending on the specific character of the production processes and of the technologies applied, the improvement of the training of all worker personnel for the acquisition of thorough knowledge, of everything that is new in the field of the trade or specialty, the organization of production and labor, the rational utilization of machines and equipment, the economization of raw materials, supplies, fuel and energy, the raising of the quality of production and services, the reduction of production costs and the raising of labor productivity.

The order and discipline at the workplaces will be strengthened, with the work-time of all personnel being utilized better and an optimum level of labor intensity in relation to the technical equipping being achieved in all the enterprises.

In the 1986-1987 period and up to 1990, further steps will be taken to improve the organization of production and labor, generalizing in all the units the results of applying the measures in the 1983-1985 period. In this regard, action will be taken to eliminate the discontinuities in the technological flows, to introduce on a wide scale the technological lines for transfer, to eliminate bottlenecks, to introduce on a wide scale modern and efficient methods of preparation, scheduling and supervision of production and to meet the need for tools, devices, gauges and spare parts. Firm steps will be taken to modernize the storage of raw materials, supplies and finished products. The organization of the workplaces, by improving the working conditions, the prompt furnishing of raw materials and supplies and the microclimate and eliminating all the factors that impede the normal performance of labor, will occupy a more and more important place.

C. The Raising of Qualifications and the Improvement of Professional Training

The raising of the qualifications and the improvement of the professional training of all personnel will constitute an essential factor for reaching the targets for more marked growth in labor productivity. The measures established regarding the further improvement of education, its closer connection with production and the raising of the level of professional and technical training of the workers, technicians and specialists, of all the working people, for handling the modern means of production and achieving first-rate production, will be applied with complete firmness. Action will be taken regarding better distribution of the forces existing on the new platforms, in order to combine the long experience of the older personnel with the enthusiasm of the young workers and specialist personnel, with a view to solving the problems at the qualitative and technical level required for the development of our society.

Targets for a further increase in skilled workers are provided in the program for training personnel for the 1986-1990 5-year period. Greater attention will be devoted to providing skilled workers in short-handed trades in industry, especially in mining, petroleum, metallurgy and construction, and in the trades specific to agriculture.

All personnel will be included in the retraining courses on the basis of the programs specific to the activity performed, so as to provide by 1990 a level of scientific and technical theoretical and practical knowledge corresponding to the modern supply of machines and equipment for the units in the economy.

The teaching personnel, the scientific-research and technological-design personnel and the specialists with experience in ministries, centrals and enterprises will participate directly in preparing and carrying out the programs for improving the professional training of the working people.

IV. The Improvement of the Activity of Labor-Norm Setting

The improvement of the system of labor-norm setting, the establishment of a direct correlation between the physical labor productivity and the labor consumption per product, is of essential importance for providing more marked growth in labor productivity.

All categories of personnel in the socialist units will perform their activity on the basis of scientifically substantiated labor norms and quotas (time standards, production quotas, personnel quotas or other types of norms, corresponding to the labor performed), set according to the technical operating parameters of the machines and equipment and the quantity of labor required, under conditions of better organization of production and labor.

1. The labor-norm setting will be carried on as a continuous process, in full accord with the changes that occur in the structure and technical level of the means of production and in the qualifications and the improvement of the professional training of the work force and, at the same time, will constitute the instrument for measurement of labor with a view to awarding the pay in relation to the labor performed.

The activity of labor-norm setting, of continually reducing the labor consumption for making the products, will be achieved in a unitary conception for the national economy as a whole, on the basis of the targets provided in the plan for labor-norm setting, as an integral part of the sole national plan for economic and social development.

The labor norms drawn up and applied must provide for the systematic reduction of the labor consumption per product and the growth of labor productivity, must help to expand and generalize the most advanced manufacturing technologies and procedures for organization of production and labor, so that the products, activities and services of the same kind or category may be achieved with a minimal labor consumption; the action of expanding the uniform labor norms and quotas to all fields of activity will be continued, so that this action may be concluded by 1987. To this end, the entire cycle of revising the labor norms applied to production will be concluded by 1985, as follows:

Category	Percentage of the Volume of Labor That Is Done According to Improved Norms (in the total volume of labor)		
	1983	1984	1985
Ministry of the Metallurgical Industry	55	85	100
Ministry of the Machine-Building Industry	60	85	100
Ministry of the Machine-Tool, Electrical-Engineering and Electronics Industry	60	85	100
Ministry of the Chemical Industry	65	85	100
Ministry of Wood Industrialization and Construction Materials	60	85	100
Ministry of Light Industry	60	85	100

This action will continue in the 1986-1990 period, so that the labor norms may continually be aligned with the new technical, technological and production- and labor-organization conditions.

The top workers, foremen, technicians, engineers and other specialized personnel with extensive experience in production and the trade-union bodies in enterprises will participate in the actions for reexamining and improving the labor norms. The application of the new labor norms and the improved ones will be done after the prior discussion of them with all the worker personnel.

In the designing of new economic facilities and new machines, equipment, installations or technologies, the size and structure of the work force will be established on the basis of standards, there being provided in all cases the obtaining of a reduction in labor consumption and production expenses with respect to those that are achieved in existing units. Products, equipment, installations and technologies which do not provide higher outputs and manpower savings and which do not correspond to the best achievements on a world level cannot be designed and introduced into production. At the same time, when new machines, installations and equipment with higher outputs are introduced, the labor norms, the need for manpower and its structure will be reset.

In order to systematically reduce the labor consumption for making the products, the uniform production quotas, expressed by the quantity of products that must be made by a person per work shift, will be expanded. As a result, the percentage of installations, machines and equipment for which uniform production quotas will be drawn up and applied in the main ministries will be between 60-90 percent by 1990.

The activity of preparing the production quotas according to installations, machines and equipment will constitute a permanent concern of the technological design and research institutes and the economic units, so that, on designing the products, production quotas that provide for the achievement of higher physical productivities, comparable to those obtained in the developed countries, may be set.

2. According to the measures provided in the programs for ministries regarding the rationalization of the production flows, the improvement of the manufacturing and internal-transportation technologies, the mechanization of heavy work and that with a big volume of manual labor, the rational use of the production capacities, the expansion of the tending of many machines, the simplification of the information system, the putting of office activities on the computer and other measures with a technical character and for better organization of production and labor, a more rational utilization of all worker personnel is to be obtained further, by reducing to the bare minimum the administrative and indirectly productive personnel, to which end targets for further improvement in the personnel standards, which will secure the efficient and rational use of all personnel, have been provided for each ministry.

Maximum standards for determining the number of service and indirectly productive personnel and for the administrative personnel, in the form of percentages of the total number of personnel, have been established in all branches of the economy on the basis of the provisions of the program.

Within each branch, the personnel standards are established according to ministries and other central and local bodies, depending on the specific character of the activities, the degree of technical equipping and the level of organization of the units, they being assigned to centrals and enterprises by the plan titulars, so as to secure compliance with the average standards provided.

Within the number of personnel resulting from the application of the maximum standards, each enterprise will set the number of service and indirectly productive personnel according to sections, shops or work formations, on the basis of improved labor norms or quotas, taking into account the volume of activity, the service zones, permanent posts and so on. In addition, the number of administrative posts according to functions and specialties will be set on the basis of the improved organizational diagrams and the structural standards in force for setting up the departments and offices, with each person's tasks and duties being specified in the job description.

3. On the basis of the measures for better organization of labor, the number of personnel in the other branches of material production is set on the basis of concrete criteria according to types of units and the size of the units, so as to provide further improvement in the utilization of all personnel and in their structure.

In commodity circulation--trade, supply and sales--and in tourism, the number of personnel is set on the basis of the physical volume of activity, the volume of sales, the areas served, the quantities handled and so on. Action will be taken to promote modern and efficient forms of selling, through the raising of the percentage of stores with self-service, direct payment to the seller, collective management and so on.

The providing of raw materials and supplies to the units will mostly be done direct from the supplier, avoiding the handling and manpower expenditures that result from their going through storage.

In the other branches--telecommunications, services and communal administration--the number of personnel is set on the basis of complex indicators and criteria (volume of activity, capacities in operation, means on hand and others), under conditions of efficient utilization of all personnel.

The personnel standards in these branches are established in such a way as to provide precise obligations and tasks for all personnel and the achievement of the entire activity under conditions of maximum efficiency.

4. In the social and cultural sectors--education, health care, culture and art--the total number of personnel is set on the basis of uniform standards, according to types of units, detailed on the basis of concrete criteria according to workplaces, which provide for the setting of their number at the bare minimum and the use of them with maximum efficiency.

a) In education, the number of teaching personnel is set according to the number of classes of pupils and the fulfillment of the teaching quota set for primary and gymnasial education and secondary schools and according to the number of students and the groups of students set up within the departments in the institutes of higher learning.

The standards for all teaching personnel will be established so as to provide precise obligations and responsibilities for each teaching staff member for the normal performance of the educational process, the acquisition of the necessary theoretical and practical knowledge by pupils and students, and effective participation in all activities of the school.

b) In the field of health care, the number of specialized personnel, physicians and middle-level health personnel is set separately according to types of health units (medical dispensaries, polyclinics, hospitals, clinical hospitals, sanatoriums, preventoriums, maternity hospitals, dental offices, nurseries and so on), depending on the number of inhabitants in the territory assigned to the respective units, the capacity of the hospital units, the number of children under care and other specific indicators.

The personnel standards are established in such a way as to provide precise responsibilities, obligations and tasks for all health personnel, in relation to which the pay is set and which lead to the improvement of the state of health of the whole population.

c) In the activity of culture and art, the standards for the specialized personnel are established on the basis of concrete criteria according to each type of institution of culture and art, as follows: the number of houses of culture and the volume of activities performed within them, the number of libraries, the volumes of books consulted by readers, the publishing of their own publications, the number of museums and museum sections, the number of collections and the number of theaters, philharmonic and symphony orchestras, music halls and variety theaters, and opera and operetta houses.

The assigned personnel within each artistic institution for plays and concerts have the obligation to fulfill the individual work tasks set in accordance with the specific character expressed in the number of performances per year, participation in cultural and educational activities, the preparation and achievement of performances, settings for plays and recitals, the volume of receipts, indices of use of the material base and other such indicators that provide for the strengthening of the responsibility of these personnel for carrying out the party's policy of raising the efficiency in all forms of social and cultural activities.

In order to more rationally use the specialized personnel in social and cultural activities, the coordinating ministries and central bodies have the task of proposing the further improvement of the personnel standards, in relation to the new working conditions created and the requirements for diversification of the activities, providing complete satisfaction of the social needs.

The implementation of the decisions adopted by the 12th congress and the national conference of the party and the orientations and instructions of Comrade Nicolae Ceausescu, the secretary general of the party, regarding the marked growth of labor productivity and the improvement of labor organization and norm-setting will constitute a factor of maximum importance for growth in national income, the only source that provides the funds needed for the general development of society and the raising of the standard of living of the people. The firm application of the measures established will give new dimensions to the individual and collective initiative, to the responsibility of the working people for implementing the Romanian Communist Party's policy for efficiently administering the material and monetary funds, fully utilizing the production capacities and the work force and, on this basis, raising the incomes of all who work.

The complete implementation of the program regarding the more marked growth of labor productivity and the improvement of labor organization and norm-setting and the orientations and instructions of Comrade Nicolae Ceausescu, the secretary general of the party, regarding the substantial growth of labor productivity and the attainment of the levels that are achieved in some developed countries is a decisive condition for raising the incomes and pay of the working people.

The ministries, centrals and enterprises will have to act firmly to provide the material base and the full use of the production capacities existing in each unit, to steadily perform the production, investment and exportation activity, to strictly meet the obligations in economic contracts and the quality

conditions and to continually raise the efficiency of the entire activity. The measures established through the program for stronger growth in labor productivity, with a view to sensibly using the work force in directly productive activities, for raising the incomes of the working people in direct relation to the fulfillment of the plan targets, will be applied firmly.

It is necessary for all management councils and all working people, as owners, producers and beneficiaries, to act--as the secretary general of the party indicated--with the greatest responsibility to steadily perform all economic activity, to achieve the physical output and to raise the quality and efficiency in the whole national economy. The proper functioning of all worker organizations, the general assemblies and the management councils of the economic and social units is decisive. The management councils of all the units have the obligation to turn firmly to the application of the measures regarding stronger growth in labor productivity in all fields, beginning with this year, and to act with all forces to fulfill the task of doubling the labor productivity in the next few years.

To this end, the investment funds of the enterprises will be used with priority to carry out the measures that provide for the fulfillment of the targets for more marked growth in labor productivity. At the same time, they will involve the staffs of working people in responsibly fulfilling all the tasks that devolve upon them.

It must be understood with complete clarity by each working person that the steady fulfillment of the plan for economic and social development and the further raising of the well-being of the whole populace are provided only to the extent of the fulfillment of the plan in the best way, only through the substantial growth of labor productivity, the additional reduction of production expenses and the raising of the technical and qualitative level of all products, the growth of the economic efficiency in all fields.

On our, everyone's, labor it depends that our life may become better, richer, this constituting the essential concern to secure the fulfillment of the provisions of the 12th congress and the national conference, for raising our homeland to a new stage of development and creating the conditions needed for continually developing our country and, on this basis, raising the material and spiritual standard of living of the whole populace.

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